ANNUAL REPORTS

For Period Ended December 31, 2018

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

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

Franklin Income VIP Fund and **Mutual Global Discovery VIP Fund,** each a series of Franklin Templeton Variable Insurance Products Trust.

Invesco V.I. Global Real Estate Fund, Invesco V.I. Government Securities Fund, Invesco V.I. Growth and Income Fund and **Invesco V.I. Mid Cap Growth Fund**, each a series of AIM Variable Insurance Funds (Invesco Variable Insurance Funds).

Oppenheimer International Growth Fund/VA, Oppenheimer Main Street Small Cap Fund®/VA and **Oppenheimer Main Street Fund®/VA,** each a series of Oppenheimer Variable Account Funds.

PIMCO CommodityRealReturn® Strategy Portfolio, PIMCO Global Opportunities Bond Portfolio (Unhedged) and **PIMCO Total Return Portfolio,** each a series of the PIMCO Variable Insurance Trust.

MEMBERS® Variable Annuity
MEMBERS® Variable Annuity II
MEMBERS® Choice Variable Annuity
MEMBERS® Variable Annuity III

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

As with all variable annuity contracts 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
Contract Owners of CMFG Variable Annuity Account:

Opinion on the Financial Statements and Financial Highlights

We have audited the accompanying statements of assets and liabilities for each of the subaccounts of CMFG Variable Annuity Account (the "Account") listed in Appendix A, as of December 31, 2018, the related statements of operations, the statements of changes in net assets, the financial highlights for each of the periods presented in Appendix A and the related notes. 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, 2018, 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, 2018, by correspondence with the Account's fund managers. We believe that our audits provide a reasonable basis for our opinion.

Deloitte & Touche LLP

February 25, 2019

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

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, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
Franklin Income VIP Fund, Class 4, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
Franklin Mutual Global Discovery VIP Fund, Class 4, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
Templeton Developing Markets VIP Fund, Class 2, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
Invesco V.I. Global Real Estate Fund, Series II Shares, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
Invesco V.I. Government Securities Fund, Series II Shares, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
Invesco V.I. Growth And Income Fund, Series II Shares, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
Invesco V.I. Mid Cap Growth Fund, Series II Shares, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
MFS® Strategic Income Portfolio, Initial Class, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
Oppenheimer Global Strategic Income Fund/VA, Non-Service Shares, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
Oppenheimer International Growth Fund/VA, Service Shares, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
Oppenheimer Main Street Small Cap Fund®/VA, Service Shares, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
Oppenheimer Main Street Fund®/VA, Service Shares, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
PIMCO Commodity Real Return® Strategy Portfolio, Advisor Class, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
PIMCO Global Bond Portfolio (Unhedged), Advisor Class, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
PIMCO Total Return Portfolio, Advisor Class, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
T. Rowe Price International Stock Portfolio, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
Ultra Series Aggressive Allocation Fund, Class I, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
Ultra Series Aggressive Allocation Fund, Class II, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018

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 Core Bond Fund, Class I, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
Ultra Series Core Bond Fund, Class II, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
Ultra Series Conservative Allocation Fund, Class I, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
Ultra Series Conservative Allocation Fund, Class II, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
Ultra Series Diversified Income Fund, Class I, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
Ultra Series Diversified Income Fund, Class II, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
Ultra Series Foundation Account, Class I, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
Ultra Series Foundation Account, Class II, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
Ultra Series High Income Fund, Class I, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
Ultra Series High Income Fund, Class II, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
Ultra Series International Stock Fund, Class I, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
Ultra Series International Stock Fund, Class II, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
Ultra Series Large Cap Growth Fund, Class I, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
Ultra Series Large Cap Growth Fund, Class II, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
Ultra Series Large Cap Value Fund, Class I, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
Ultra Series Large Cap Value Fund, Class II, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
Ultra Series Mid Cap Fund, Class I, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
Ultra Series Mid Cap Fund, Class II, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
Ultra Series Moderate Allocation Fund, Class I, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018
Ultra Series Moderate Allocation Fund, Class II, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Five Years Ended December 31, 2018

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
Vanguard VIF Money Market Portfolio, Subaccount	December 31, 2018	Year Ended December 31, 2018	Two Years Ended December 31, 2018	Two Years Ended December 31, 2018 and Period from February 12, 2016* To December 31, 2016

* Date represents commencement of operations

CMFG Variable Annuity Account
Statements of Assets and Liabilities
As of December 31, 2018

	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	$ 16,619,031	$ 10,791,576	$ 6,452,387	$ 678,619
Total assets	16,619,031	10,791,576	6,452,387	678,619
Liabilities	-	-	-	-
Net assets	$ 16,619,031	$ 10,791,576	$ 6,452,387	$ 678,619
Net assets				
Contracts in accumulation period	$ 16,619,031	$ 10,789,520	$ 6,450,328	$ 678,619
Contracts in annuitization period (note 2)	-	2,056	2,059	-
Total net assets	$ 16,619,031	$ 10,791,576	$ 6,452,387	$ 678,619
Number of shares outstanding	1,283,323	715,622	373,186	79,464
Net asset value per share	$ 12.95	$ 15.08	$ 17.29	$ 8.54
Cost of mutual fund shares	$ 18,380,637	$ 10,661,061	$ 7,413,556	$ 633,440

	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	$ 5,592,501	$ 13,680,584	$ 27,967,076	$ 6,497,411
Total assets	5,592,501	13,680,584	27,967,076	6,497,411
Liabilities	-	-	-	-
Net assets	$ 5,592,501	$ 13,680,584	$ 27,967,076	$ 6,497,411
Net assets				
Contracts in accumulation period	$ 5,590,745	$ 13,680,584	$ 27,964,655	$ 6,497,411
Contracts in annuitization period (note 2)	1,756	-	2,421	-
Total net assets	$ 5,592,501	$ 13,680,584	$ 27,967,076	$ 6,497,411
Number of shares outstanding	372,089	1,230,268	1,599,947	1,391,309
Net asset value per share	$ 15.03	$ 11.12	$ 17.48	$ 4.67
Cost of mutual fund shares	$ 4,959,736	$ 14,666,899	$ 29,804,935	$ 5,686,369

CMFG Variable Annuity Account
Statements of Assets and Liabilities (continued)
As of December 31, 2018

	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	$	601,084	$	355,711	$	13,164,756	$	7,168,955
Total assets		601,084		355,711		13,164,756		7,168,955
Liabilities		-		-		-		-
Net assets	$	601,084	$	355,711	$	13,164,756	$	7,168,955
Net assets								
Contracts in accumulation period	$	598,276	$	354,325	$	13,164,756	$	7,164,991
Contracts in annuitization period (note 2)		2,808		1,386		-		3,964
Total net assets	$	601,084	$	355,711	$	13,164,756	$	7,168,955
Number of shares outstanding		64,912		76,333		6,209,791		357,911
Net asset value per share	$	9.26	$	4.66	$	2.12	$	20.03
Cost of mutual fund shares	$	647,335	$	414,846	$	11,858,095	$	6,881,372

	Oppenheimer Main Street Fund®/VA, Service Shares, Subaccount		PIMCO Commodity - RealReturn® Strategy Portfolio, Advisor Class, Subaccount		PIMCO Global Bond Opportunities Portfolio (Unhedged), Advisor Class, Subaccount		PIMCO Total Return Portfolio, Advisor Class, Subaccount	
Assets								
Investments in mutual funds at fair value	$	15,005,888	$	6,703,889	$	15,781,990	$	33,453,951
Total assets		15,005,888		6,703,889		15,781,990		33,453,951
Liabilities		-		-		-		-
Net assets	$	15,005,888	$	6,703,889	$	15,781,990	$	33,453,951
Net assets								
Contracts in accumulation period	$	15,005,888	$	6,703,889	$	15,781,990	$	33,453,951
Contracts in annuitization period (note 2)		-		-		-		-
Total net assets	$	15,005,888	$	6,703,889	$	15,781,990	$	33,453,951
Number of shares outstanding		566,046		1,100,803		1,439,963		3,192,171
Net asset value per share	$	26.51	$	6.09	$	10.96	$	10.48
Cost of mutual fund shares	$	13,134,788	$	13,115,585	$	18,481,307	$	35,403,977

See accompanying notes to financial statements

CMFG Variable Annuity Account
Statements of Assets and Liabilities (continued)
As of December 31, 2018

	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	$ 3,893,576	$ 8,049,825	$ 1,526,564	$ 51,077,391
Total assets	3,893,576	8,049,825	1,526,564	51,077,391
Liabilities	-	-	-	-
Net assets	$ 3,893,576	$ 8,049,825	$ 1,526,564	$ 51,077,391
Net assets				
Contracts in accumulation period	$ 3,843,432	$ 7,997,127	$ 1,526,564	$ 50,857,814
Contracts in annuitization period (note 2)	50,144	52,698	-	219,577
Total net assets	$ 3,893,576	$ 8,049,825	$ 1,526,564	$ 51,077,391
Number of shares outstanding	298,587	1,010,371	192,233	5,439,378
Net asset value per share	$ 13.04	$ 7.97	$ 7.94	$ 9.39
Cost of mutual fund shares	$ 4,070,802	$ 9,559,493	$ 1,762,326	$ 55,678,547

	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	$ 13,826,649	$ 46,020,657	$ 22,526,738	$ 97,863,268
Total assets	13,826,649	46,020,657	22,526,738	97,863,268
Liabilities	-	-	-	-
Net assets	$ 13,826,649	$ 46,020,657	$ 22,526,738	$ 97,863,268
Net assets				
Contracts in accumulation period	$ 13,826,649	$ 45,882,262	$ 22,526,738	$ 96,544,104
Contracts in annuitization period (note 2)	-	138,395	-	1,319,164
Total net assets	$ 13,826,649	$ 46,020,657	$ 22,526,738	$ 97,863,268
Number of shares outstanding	1,477,917	4,996,651	2,443,141	5,669,420
Net asset value per share	$ 9.36	$ 9.21	$ 9.22	$ 17.26
Cost of mutual fund shares	$ 15,076,626	$ 49,997,012	$ 24,230,045	$ 103,497,041

CMFG Variable Annuity Account
Statements of Assets and Liabilities (continued)
As of December 31, 2018

	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	$ 32,925,031	$ 280,968	$ 15,886,121	$ 16,539,320
Total assets	32,925,031	280,968	15,886,121	16,539,320
Liabilities	-	-	-	-
Net assets	$ 32,925,031	$ 280,968	$ 15,886,121	$ 16,539,320
Net assets				
Contracts in accumulation period	$ 32,925,031	$ 280,968	$ 15,886,121	$ 16,421,209
Contracts in annuitization period (note 2)	-	-	-	118,111
Total net assets	$ 32,925,031	$ 280,968	$ 15,886,121	$ 16,539,320
Number of shares outstanding	1,923,202	29,921	1,698,052	2,089,908
Net asset value per share	$ 17.12	$ 9.39	$ 9.36	$ 7.91
Cost of mutual fund shares	$ 34,708,163	$ 307,818	$ 17,618,992	$ 19,305,800

	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	$ 4,604,556	$ 18,896,251	$ 9,218,837	$ 61,428,121
Total assets	4,604,556	18,896,251	9,218,837	61,428,121
Liabilities	-	-	-	-
Net assets	$ 4,604,556	$ 18,896,251	$ 9,218,837	$ 61,428,121
Net assets				
Contracts in accumulation period	$ 4,604,556	$ 18,861,150	$ 9,218,837	$ 61,073,750
Contracts in annuitization period (note 2)	-	35,101	-	354,371
Total net assets	$ 4,604,556	$ 18,896,251	$ 9,218,837	$ 61,428,121
Number of shares outstanding	581,303	1,902,007	933,147	3,572,711
Net asset value per share	$ 7.92	$ 9.93	$ 9.88	$ 17.19
Cost of mutual fund shares	$ 5,295,069	$ 20,708,708	$ 9,172,472	$ 75,178,876

CMFG Variable Annuity Account
Statements of Assets and Liabilities (continued)
As of December 31, 2018

	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	$ 17,704,407	$ 78,334,519	$ 3,828,658	$ 58,237,406
Total assets	17,704,407	78,334,519	3,828,658	58,237,406
Liabilities	-	-	-	-
Net assets	$ 17,704,407	$ 78,334,519	$ 3,828,658	$ 58,237,406
Net assets				
Contracts in accumulation period	$ 17,704,407	$ 77,642,870	$ 3,828,658	$ 57,974,374
Contracts in annuitization period (note 2)	-	691,649	-	263,032
Total net assets	$ 17,704,407	$ 78,334,519	$ 3,828,658	$ 58,237,406
Number of shares outstanding	1,050,732	3,584,316	177,568	3,834,940
Net asset value per share	$ 16.85	$ 21.85	$ 21.56	$ 15.19
Cost of mutual fund shares	$ 22,059,543	$ 99,412,161	$ 4,550,860	$ 61,339,973

	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	$ 7,921,124	$ 85,175,980	$ 20,302,139	$ 24,262,115
Total assets	7,921,124	85,175,980	20,302,139	24,262,115
Liabilities	-	-	-	-
Net assets	$ 7,921,124	$ 85,175,980	$ 20,302,139	$ 24,262,115
Net assets				
Contracts in accumulation period	$ 7,921,124	$ 84,754,278	$ 20,302,139	$ 24,192,153
Contracts in annuitization period (note 2)	-	421,702	-	69,962
Total net assets	$ 7,921,124	$ 85,175,980	$ 20,302,139	$ 24,262,115
Number of shares outstanding	536,218	9,260,473	2,209,444	24,262,115
Net asset value per share	$ 14.77	$ 9.20	$ 9.19	$ 1.00
Cost of mutual fund shares	$ 8,181,080	$ 94,400,261	$ 21,488,413	$ 24,262,115

See accompanying notes to financial statements

CMFG Variable Annuity Account
Statements of Operations
For the Year Ended December 31, 2018

	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
Investment income (loss)				
Dividend income	$ 157,817	$ 587,358	$ 161,864	$ 7,071
Mortality and expense charges (note 3)	(240,751)	(146,944)	(90,489)	(10,196)
Administrative charges	(33,863)	(18,740)	(11,782)	(1,224)
Net investment income (loss)	(116,797)	421,674	59,593	(4,349)
Realized gain (loss) on sale of investments				
Net realized gain (loss) on sale of fund shares	194,236	358,828	44,320	17,292
Realized gain distributions	806,680	-	92,387	-
Net realized gain (loss) on investments	1,000,916	358,828	136,707	17,292
Net change in unrealized appreciation (depreciation) on investments	(2,529,722)	(1,413,190)	(1,107,388)	(158,057)
Net increase (decrease) in net assets resulting from operations	$ (1,645,603)	$ (632,688)	$ (911,088)	$ (145,114)

	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
Investment income (loss)				
Dividend income	$ 227,988	$ 283,327	$ 610,605	$ -
Mortality and expense charges (note 3)	(74,735)	(172,665)	(416,450)	(96,627)
Administrative charges	(11,425)	(28,255)	(66,904)	(15,784)
Net investment income (loss)	141,828	82,407	127,251	(112,411)
Realized gain (loss) on sale of investments				
Net realized gain (loss) on sale of fund shares	304,967	(231,755)	1,578,422	1,257,056
Realized gain distributions	76,021	-	3,209,900	859,234
Net realized gain (loss) on investments	380,988	(231,755)	4,788,322	2,116,290
Net change in unrealized appreciation (depreciation) on investments	(1,007,982)	(46,810)	(9,758,406)	(2,325,459)
Net increase (decrease) in net assets resulting from operations	$ (485,166)	$ (196,158)	$ (4,842,833)	$ (321,580)

CMFG Variable Annuity Account
Statements of Operations (continued)
For the Year Ended December 31, 2018

	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
Investment income (loss)				
Dividend income	$ 24,994	$ 19,402	$ 99,254	$ 5,476
Mortality and expense charges (note 3)	(7,929)	(4,904)	(196,283)	(109,492)
Administrative charges	(951)	(588)	(31,147)	(17,053)
Net investment income (loss)	16,114	13,910	(128,176)	(121,069)
Realized gain (loss) on sale of investments				
Net realized gain (loss) on sale of fund shares	(3,009)	(6,203)	1,619,200	910,363
Realized gain distributions	-	-	314,594	1,195,090
Net realized gain (loss) on investments	(3,009)	(6,203)	1,933,794	2,105,453
Net change in unrealized appreciation (depreciation) on investments	(35,194)	(30,591)	(5,204,469)	(2,815,201)
Net increase (decrease) in net assets resulting from operations	$ (22,089)	$ (22,884)	$ (3,398,851)	$ (830,817)

	Oppenheimer Main Street Fund®/VA, Service Shares, Subaccount	PIMCO Commodity - RealReturn® Strategy Portfolio, Advisor Class, Subaccount	PIMCO Global Bond Opportunities Portfolio (Unhedged), Advisor Class, Subaccount	PIMCO Total Return Portfolio, Advisor Class, Subaccount
Investment income (loss)				
Dividend income	$ 164,847	$ 165,712	$ 1,082,372	$ 878,765
Mortality and expense charges (note 3)	(210,990)	(96,804)	(205,517)	(418,943)
Administrative charges	(35,080)	(15,015)	(32,716)	(60,904)
Net investment income (loss)	(81,223)	53,893	844,139	398,918
Realized gain (loss) on sale of investments				
Net realized gain (loss) on sale of fund shares	1,200,797	(1,190,264)	(287,211)	(301,871)
Realized gain distributions	1,606,372	-	46,664	407,368
Net realized gain (loss) on investments	2,807,169	(1,190,264)	(240,547)	105,497
Net change in unrealized appreciation (depreciation) on investments	(4,215,876)	(108,337)	(1,598,692)	(1,295,959)
Net increase (decrease) in net assets resulting from operations	$ (1,489,930)	$ (1,244,708)	$ (995,100)	$ (791,544)

CMFG Variable Annuity Account
Statements of Operations (continued)
For the Year Ended December 31, 2018

	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
Investment income (loss)				
Dividend income	$ 60,309	$ 159,642	$ 26,007	$ 1,632,642
Mortality and expense charges (note 3)	(59,782)	(103,241)	(24,090)	(642,696)
Administrative charges	(7,174)	(7,967)	(3,142)	(55,525)
Net investment income (loss)	(6,647)	48,434	(1,225)	934,421
Realized gain (loss) on sale of investments				
Net realized gain (loss) on sale of fund shares	149,185	42,896	44,000	(729,608)
Realized gain distributions	424,788	1,140,113	219,152	-
Net realized gain (loss) on investments	573,973	1,183,009	263,152	(729,608)
Net change in unrealized appreciation (depreciation) on investments	(1,296,961)	(1,874,685)	(391,544)	(1,380,692)
Net increase (decrease) in net assets resulting from operations	$ (729,635)	$ (643,242)	$ (129,617)	$ (1,175,879)

	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
Investment income (loss)				
Dividend income	$ 414,116	$ 1,165,196	$ 489,808	$ 2,445,820
Mortality and expense charges (note 3)	(170,291)	(599,971)	(298,303)	(1,274,214)
Administrative charges	(32,340)	(72,988)	(41,970)	(96,129)
Net investment income (loss)	211,485	492,237	149,535	1,075,477
Realized gain (loss) on sale of investments				
Net realized gain (loss) on sale of fund shares	(167,868)	128,294	145,614	972,096
Realized gain distributions	-	2,314,003	1,140,098	8,357,294
Net realized gain (loss) on investments	(167,868)	2,442,297	1,285,712	9,329,390
Net change in unrealized appreciation (depreciation) on investments	(399,502)	(4,798,459)	(2,423,407)	(12,505,137)
Net increase (decrease) in net assets resulting from operations	$ (355,885)	$ (1,863,925)	$ (988,160)	$ (2,100,270)

See accompanying notes to financial statements

CMFG Variable Annuity Account
Statements of Operations (continued)
For the Year Ended December 31, 2018

	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
Investment income (loss)				
Dividend income	$ 762,645	$ 8,896	$ 474,413	$ 932,799
Mortality and expense charges (note 3)	(431,513)	(3,258)	(199,576)	(211,883)
Administrative charges	(73,440)	(425)	(29,154)	(15,299)
Net investment income (loss)	257,692	5,213	245,683	705,617
Realized gain (loss) on sale of investments				
Net realized gain (loss) on sale of fund shares	579,815	(838)	(348,497)	(253,801)
Realized gain distributions	2,828,337	-	-	-
Net realized gain (loss) on investments	3,408,152	(838)	(348,497)	(253,801)
Net change in unrealized appreciation (depreciation) on investments	(4,437,249)	(10,007)	(329,941)	(1,249,158)
Net increase (decrease) in net assets resulting from operations	$ (771,405)	$ (5,632)	$ (432,755)	$ (797,342)

	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
Investment income (loss)				
Dividend income	$ 247,689	$ 351,816	$ 154,826	$ 459,665
Mortality and expense charges (note 3)	(59,434)	(262,286)	(133,275)	(825,830)
Administrative charges	(10,590)	(21,405)	(22,779)	(71,077)
Net investment income (loss)	177,665	68,125	(1,228)	(437,242)
Realized gain (loss) on sale of investments				
Net realized gain (loss) on sale of fund shares	(63,667)	166,974	368,237	1,443,700
Realized gain distributions	-	-	-	20,995,472
Net realized gain (loss) on investments	(63,667)	166,974	368,237	22,439,172
Net change in unrealized appreciation (depreciation) on investments	(355,112)	(3,570,885)	(2,060,748)	(22,816,482)
Net increase (decrease) in net assets resulting from operations	$ (241,114)	$ (3,335,786)	$ (1,693,739)	$ (814,552)

See accompanying notes to financial statements

CMFG Variable Annuity Account
Statements of Operations (continued)
For the Year Ended December 31, 2018

	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
Investment income (loss)				
Dividend income	$ 107,805	$ 1,445,283	$ 64,960	$ -
Mortality and expense charges (note 3)	(244,179)	(1,178,009)	(58,535)	(785,117)
Administrative charges	(41,264)	(101,299)	(11,689)	(58,315)
Net investment income (loss)	(177,638)	165,975	(5,264)	(843,432)
Realized gain (loss) on sale of investments				
Net realized gain (loss) on sale of fund shares	730,992	191	87,723	1,722,284
Realized gain distributions	6,121,678	8,215,679	408,587	10,726,297
Net realized gain (loss) on investments	6,852,670	8,215,870	496,310	12,448,581
Net change in unrealized appreciation (depreciation) on investments	(6,889,482)	(20,808,992)	(1,112,436)	(12,969,735)
Net increase (decrease) in net assets resulting from operations	$ (214,450)	$ (12,427,147)	$ (621,390)	$ (1,364,586)

	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
Investment income (loss)				
Dividend income	$ -	$ 1,003,466	$ 181,292	$ 501,463
Mortality and expense charges (note 3)	(111,242)	(1,121,190)	(270,692)	(303,239)
Administrative charges	(19,134)	(138,196)	(41,746)	(39,956)
Net investment income (loss)	(130,376)	(255,920)	(131,146)	158,268
Realized gain (loss) on sale of investments				
Net realized gain (loss) on sale of fund shares	524,176	752,779	716,234	-
Realized gain distributions	1,492,761	8,674,763	2,076,000	-
Net realized gain (loss) on investments	2,016,937	9,427,542	2,792,234	-
Net change in unrealized appreciation (depreciation) on investments	(2,047,539)	(14,313,943)	(3,932,399)	-
Net increase (decrease) in net assets resulting from operations	$ (160,978)	$ (5,142,321)	$ (1,271,311)	$ 158,268

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 Income VIP Fund, Class 4, Subaccount	
	2018	2017	2018	2017
Increase (decrease) in net assets from operations				
Net investment income (loss)	$ (116,797)	$ (28,460)	$ 421,674	$ 425,345
Net realized gain (loss) on investments	1,000,916	349,908	358,828	395,977
Net change in unrealized appreciation (depreciation) on investments	(2,529,722)	2,794,159	(1,413,190)	445,169
Net increase (decrease) in net assets resulting from operations	(1,645,603)	3,115,607	(632,688)	1,266,491
Contract transactions				
Payments received from contract owners	32,930	128,092	33,979	113,185
Transfers between subaccounts (including fixed accounts), net	(342,433)	(196,865)	(392,044)	(368,367)
Payment for contract benefits and terminations	(6,555,259)	(4,081,069)	(3,035,049)	(3,203,055)
Contract charges and fees	(275,140)	(317,899)	(55,472)	(75,618)
Adjustments to net assets allocated to contracts in payout period	-	-	409	331
Net increase (decrease) in net assets from contract transactions	(7,139,902)	(4,467,741)	(3,448,177)	(3,533,524)
Total increase (decrease) in net assets	(8,785,505)	(1,352,134)	(4,080,865)	(2,267,033)
Net assets				
Beginning of period	25,404,536	26,756,670	14,872,441	17,139,474
End of period	$ 16,619,031	$ 25,404,536	$ 10,791,576	$ 14,872,441

	Franklin Mutual Global Discovery VIP Fund, Class 4, Subaccount		Templeton Developing Markets VIP Fund, Class 2, Subaccount	
	2018	2017	2018	2017
Increase (decrease) in net assets from operations				
Net investment income (loss)	$ 59,593	$ 23,192	$ (4,349)	$ (3,412)
Net realized gain (loss) on investments	136,707	652,363	17,292	6,400
Net change in unrealized appreciation (depreciation) on investments	(1,107,388)	25,126	(158,057)	259,875
Net increase (decrease) in net assets resulting from operations	(911,088)	700,681	(145,114)	262,863
Contract transactions				
Payments received from contract owners	25,582	64,459	-	-
Transfers between subaccounts (including fixed accounts), net	82,931	(483,108)	(5,058)	(55)
Payment for contract benefits and terminations	(1,670,067)	(2,135,172)	(85,246)	(57,452)
Contract charges and fees	(49,831)	(61,452)	(323)	(361)
Adjustments to net assets allocated to contracts in payout period	435	358	-	-
Net increase (decrease) in net assets from contract transactions	(1,610,950)	(2,614,915)	(90,627)	(57,868)
Total increase (decrease) in net assets	(2,522,038)	(1,914,234)	(235,741)	204,995
Net assets				
Beginning of period	8,974,425	10,888,659	914,360	709,365
End of period	$ 6,452,387	$ 8,974,425	$ 678,619	$ 914,360

See accompanying notes to financial statements

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

	Invesco V.I. Global Real Estate Fund, Series II Shares, Subaccount		Invesco V.I. Government Securities Fund, Series II Shares, Subaccount	
	2018	2017	2018	2017
Increase (decrease) in net assets from operations				
Net investment income (loss)	$ 141,828	$ 126,577	$ 82,407	$ 89,173
Net realized gain (loss) on investments	380,988	520,720	(231,755)	(130,849)
Net change in unrealized appreciation (depreciation) on investments	(1,007,982)	181,778	(46,810)	112,276
Net increase (decrease) in net assets resulting from operations	(485,166)	829,075	(196,158)	70,600
Contract transactions				
Payments received from contract owners	32,672	27,268	109,513	87,135
Transfers between subaccounts (including fixed accounts), net	(6,942)	33,429	693,855	1,162,256
Payment for contract benefits and terminations	(1,327,283)	(1,453,232)	(3,136,050)	(2,612,284)
Contract charges and fees	(50,523)	(59,580)	(164,684)	(185,977)
Adjustments to net assets allocated to contracts in payout period	349	284	-	-
Net increase (decrease) in net assets from contract transactions	(1,351,727)	(1,451,831)	(2,497,366)	(1,548,870)
Total increase (decrease) in net assets	(1,836,893)	(622,756)	(2,693,524)	(1,478,270)
Net assets				
Beginning of period	7,429,394	8,052,150	16,374,108	17,852,378
End of period	$ 5,592,501	$ 7,429,394	$ 13,680,584	$ 16,374,108

	Invesco V.I. Growth and Income, Series II Shares, Subaccount		Invesco V.I. Mid Cap Growth, Series II Shares, Subaccount	
	2018	2017	2018	2017
Increase (decrease) in net assets from operations				
Net investment income (loss)	$ 127,251	$ (56,818)	$ (112,411)	$ (145,449)
Net realized gain (loss) on investments	4,788,322	4,548,702	2,116,290	1,795,508
Net change in unrealized appreciation (depreciation) on investments	(9,758,406)	624,402	(2,325,459)	427,699
Net increase (decrease) in net assets resulting from operations	(4,842,833)	5,116,286	(321,580)	2,077,758
Contract transactions				
Payments received from contract owners	176,254	192,232	47,913	23,013
Transfers between subaccounts (including fixed accounts), net	(1,121,173)	(6,823,479)	(772,583)	(822,984)
Payment for contract benefits and terminations	(7,130,426)	(9,088,859)	(2,801,661)	(2,393,343)
Contract charges and fees	(301,711)	(365,124)	(58,503)	(73,761)
Adjustments to net assets allocated to contracts in payout period	522	415	-	-
Net increase (decrease) in net assets from contract transactions	(8,376,534)	(16,084,815)	(3,584,834)	(3,267,075)
Total increase (decrease) in net assets	(13,219,367)	(10,968,529)	(3,906,414)	(1,189,317)
Net assets				
Beginning of period	41,186,443	52,154,972	10,403,825	11,593,142
End of period	$ 27,967,076	$ 41,186,443	$ 6,497,411	$ 10,403,825

See accompanying notes to financial statements

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

	MFS® Strategic Income Portfolio, Initial Class, Subaccount		Oppenheimer Global Strategic Income Fund/VA, Non-Service Shares, Subaccount	
	2018	2017	2018	2017
Increase (decrease) in net assets from operations				
Net investment income (loss)	$ 16,114	$ 22,161	$ 13,910	$ 4,142
Net realized gain (loss) on investments	(3,009)	(524)	(6,203)	(5,968)
Net change in unrealized appreciation (depreciation) on investments	(35,194)	11,253	(30,591)	23,349
Net increase (decrease) in net assets resulting from operations	(22,089)	32,890	(22,884)	21,523
Contract transactions				
Payments received from contract owners	-	-	-	-
Transfers between subaccounts (including fixed accounts), net	(2,109)	(25)	(890)	(5,788)
Payment for contract benefits and terminations	(44,976)	(74,702)	(45,240)	(60,429)
Contract charges and fees	(194)	(253)	(203)	(259)
Adjustments to net assets allocated to contracts in payout period	60	11	(1,287)	241
Net increase (decrease) in net assets from contract transactions	(47,219)	(74,969)	(47,620)	(66,235)
Total increase (decrease) in net assets	(69,308)	(42,079)	(70,504)	(44,712)
Net assets				
Beginning of period	670,392	712,471	426,215	470,927
End of period	$ 601,084	$ 670,392	$ 355,711	$ 426,215

	Oppenheimer International Growth Fund/VA, Service Shares, Subaccount		Oppenheimer Main Street Small Cap Fund®/VA, Service Shares, Subaccount	
	2018	2017	2018	2017
Increase (decrease) in net assets from operations				
Net investment income (loss)	$ (128,176)	$ (40,913)	$ (121,069)	$ (84,640)
Net realized gain (loss) on investments	1,933,794	1,615,940	2,105,453	1,830,724
Net change in unrealized appreciation (depreciation) on investments	(5,204,469)	3,274,274	(2,815,201)	(333,862)
Net increase (decrease) in net assets resulting from operations	(3,398,851)	4,849,301	(830,817)	1,412,222
Contract transactions				
Payments received from contract owners	128,112	82,210	41,996	37,827
Transfers between subaccounts (including fixed accounts), net	(333,926)	(1,009,289)	(622,859)	(1,266,350)
Payment for contract benefits and terminations	(4,224,935)	(4,478,926)	(2,525,413)	(2,568,445)
Contract charges and fees	(143,861)	(172,124)	(69,527)	(87,468)
Adjustments to net assets allocated to contracts in payout period	-	-	72	844
Net increase (decrease) in net assets from contract transactions	(4,574,610)	(5,578,129)	(3,175,731)	(3,883,592)
Total increase (decrease) in net assets	(7,973,461)	(728,828)	(4,006,548)	(2,471,370)
Net assets				
Beginning of period	21,138,217	21,867,045	11,175,503	13,646,873
End of period	$ 13,164,756	$ 21,138,217	$ 7,168,955	$ 11,175,503

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 Fund®/VA, Service Shares, Subaccount		PIMCO Commodity - RealReturn® Strategy Portfolio, Advisor Class, Subaccount	
	2018	2017	2018	2017
Increase (decrease) in net assets from operations				
Net investment income (loss)	$ (81,223)	$ (77,144)	$ 53,893	$ 938,559
Net realized gain (loss) on investments	2,807,169	2,748,569	(1,190,264)	(1,699,450)
Net change in unrealized appreciation (depreciation) on investments	(4,215,876)	556,353	(108,337)	775,328
Net increase (decrease) in net assets resulting from operations	(1,489,930)	3,227,778	(1,244,708)	14,437
Contract transactions				
Payments received from contract owners	54,180	68,421	48,631	50,251
Transfers between subaccounts (including fixed accounts), net	(602,020)	(2,163,472)	164,047	(9,252)
Payment for contract benefits and terminations	(3,547,316)	(5,419,695)	(1,562,507)	(1,938,620)
Contract charges and fees	(121,751)	(151,796)	(68,529)	(81,043)
Adjustments to net assets allocated to contracts in payout period	-	-	-	-
Net increase (decrease) in net assets from contract transactions	(4,216,907)	(7,666,542)	(1,418,358)	(1,978,664)
Total increase (decrease) in net assets	(5,706,837)	(4,438,764)	(2,663,066)	(1,964,227)
Net assets				
Beginning of period	20,712,725	25,151,489	9,366,955	11,331,182
End of period	$ 15,005,888	$ 20,712,725	$ 6,703,889	$ 9,366,955

	PIMCO Global Bond Opportunities Portfolio (Unhedged), Advisor Class, Subaccount		PIMCO Total Return Portfolio, Advisor Class, Subaccount	
	2018	2017	2018	2017
Increase (decrease) in net assets from operations				
Net investment income (loss)	$ 844,139	$ 102,736	$ 398,918	$ 267,136
Net realized gain (loss) on investments	(240,547)	(442,817)	105,497	(318,096)
Net change in unrealized appreciation (depreciation) on investments	(1,598,692)	1,842,717	(1,295,959)	1,621,779
Net increase (decrease) in net assets resulting from operations	(995,100)	1,502,636	(791,544)	1,570,819
Contract transactions				
Payments received from contract owners	82,535	71,010	128,827	254,819
Transfers between subaccounts (including fixed accounts), net	416,163	111,390	938,205	133,062
Payment for contract benefits and terminations	(3,662,570)	(4,544,900)	(6,692,742)	(10,503,005)
Contract charges and fees	(149,702)	(176,462)	(246,326)	(288,875)
Adjustments to net assets allocated to contracts in payout period	-	-	-	-
Net increase (decrease) in net assets from contract transactions	(3,313,574)	(4,538,962)	(5,872,036)	(10,403,999)
Total increase (decrease) in net assets	(4,308,674)	(3,036,326)	(6,663,580)	(8,833,180)
Net assets				
Beginning of period	20,090,664	23,126,990	40,117,531	48,950,711
End of period	$ 15,781,990	$ 20,090,664	$ 33,453,951	$ 40,117,531

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

	T. Rowe Price International Stock Portfolio, Subaccount 2018	T. Rowe Price International Stock Portfolio, Subaccount 2017	Ultra Series Aggressive Allocation Fund, Class I, Subaccount 2018	Ultra Series Aggressive Allocation Fund, Class I, Subaccount 2017
Increase (decrease) in net assets from operations				
Net investment income (loss)	$ (6,647)	$ (18,289)	$ 48,434	$ 42,298
Net realized gain (loss) on investments	573,973	374,874	1,183,009	681,274
Net change in unrealized appreciation (depreciation) on investments	(1,296,961)	841,829	(1,874,685)	714,176
Net increase (decrease) in net assets resulting from operations	(729,635)	1,198,414	(643,242)	1,437,748
Contract transactions				
Payments received from contract owners	-	-	162,769	230,331
Transfers between subaccounts (including fixed accounts), net	(57,914)	(96,002)	148,091	(2,846)
Payment for contract benefits and terminations	(571,858)	(620,129)	(1,000,686)	(1,147,211)
Contract charges and fees	(1,887)	(2,195)	(4,306)	(4,979)
Adjustments to net assets allocated to contracts in payout period	632	760	2,440	1,983
Net increase (decrease) in net assets from contract transactions	(631,027)	(717,566)	(691,692)	(922,722)
Total increase (decrease) in net assets	(1,360,662)	480,848	(1,334,934)	515,026
Net assets				
Beginning of period	5,254,238	4,773,390	9,384,759	8,869,733
End of period	$ 3,893,576	$ 5,254,238	$ 8,049,825	$ 9,384,759

	Ultra Series Aggressive Allocation Fund, Class II, Subaccount 2018	Ultra Series Aggressive Allocation Fund, Class II, Subaccount 2017	Ultra Series Core Bond Fund, Class I, Subaccount 2018	Ultra Series Core Bond Fund, Class I, Subaccount 2017
Increase (decrease) in net assets from operations				
Net investment income (loss)	$ (1,225)	$ 4,698	$ 934,421	$ 975,632
Net realized gain (loss) on investments	263,152	172,732	(729,608)	(461,615)
Net change in unrealized appreciation (depreciation) on investments	(391,544)	141,964	(1,380,692)	665,330
Net increase (decrease) in net assets resulting from operations	(129,617)	319,394	(1,175,879)	1,179,347
Contract transactions				
Payments received from contract owners	225	1,514	579,752	185,483
Transfers between subaccounts (including fixed accounts), net	(416,779)	164,562	803,376	292,082
Payment for contract benefits and terminations	(193,043)	(249,873)	(9,018,419)	(9,730,440)
Contract charges and fees	(1,394)	(841)	(82,075)	(85,819)
Adjustments to net assets allocated to contracts in payout period	-	-	(3,340)	(2,095)
Net increase (decrease) in net assets from contract transactions	(610,991)	(84,638)	(7,720,706)	(9,340,789)
Total increase (decrease) in net assets	(740,608)	234,756	(8,896,585)	(8,161,442)
Net assets				
Beginning of period	2,267,172	2,032,416	59,973,976	68,135,418
End of period	$ 1,526,564	$ 2,267,172	$ 51,077,391	$ 59,973,976

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

	Ultra Series Core Bond Fund, Class II, Subaccount		Ultra Series Conservative Allocation Fund, Class I, Subaccount	
	2018	2017	2018	2017
Increase (decrease) in net assets from operations				
Net investment income (loss)	$ 211,485	$ 211,905	$ 492,237	$ 406,634
Net realized gain (loss) on investments	(167,868)	(124,839)	2,442,297	1,693,866
Net change in unrealized appreciation (depreciation) on investments	(399,502)	148,754	(4,798,459)	3,020,220
Net increase (decrease) in net assets resulting from operations	(355,885)	235,820	(1,863,925)	5,120,720
Contract transactions				
Payments received from contract owners	25,024	34,973	391,492	287,050
Transfers between subaccounts (including fixed accounts), net	721,760	2,471,569	925,659	(483,055)
Payment for contract benefits and terminations	(2,127,901)	(2,968,065)	(10,593,830)	(12,629,730)
Contract charges and fees	(130,041)	(138,173)	(60,409)	(154,789)
Adjustments to net assets allocated to contracts in payout period	-	-	(5,152)	(1,097)
Net increase (decrease) in net assets from contract transactions	(1,511,158)	(599,696)	(9,342,240)	(12,981,621)
Total increase (decrease) in net assets	(1,867,043)	(363,876)	(11,206,165)	(7,860,901)
Net assets				
Beginning of period	15,693,692	16,057,568	57,226,822	65,087,723
End of period	$ 13,826,649	$ 15,693,692	$ 46,020,657	$ 57,226,822

	Ultra Series Conservative Allocation Fund, Class II, Subaccount		Ultra Series Diversified Income Fund, Class I, Subaccount	
	2018	2017	2018	2017
Increase (decrease) in net assets from operations				
Net investment income (loss)	$ 149,535	$ 135,140	$ 1,075,477	$ 1,014,697
Net realized gain (loss) on investments	1,285,712	878,077	9,329,390	5,780,376
Net change in unrealized appreciation (depreciation) on investments	(2,423,407)	1,432,935	(12,505,137)	6,048,691
Net increase (decrease) in net assets resulting from operations	(988,160)	2,446,152	(2,100,270)	12,843,764
Contract transactions				
Payments received from contract owners	131,842	111,116	672,432	979,377
Transfers between subaccounts (including fixed accounts), net	(795,744)	1,629,295	49,375	564,985
Payment for contract benefits and terminations	(5,363,565)	(5,272,053)	(15,020,526)	(15,476,794)
Contract charges and fees	(228,947)	(258,841)	(107,207)	(101,335)
Adjustments to net assets allocated to contracts in payout period	-	-	6,974	(9,012)
Net increase (decrease) in net assets from contract transactions	(6,256,414)	(3,790,483)	(14,398,952)	(14,042,779)
Total increase (decrease) in net assets	(7,244,574)	(1,344,331)	(16,499,222)	(1,199,015)
Net assets				
Beginning of period	29,771,312	31,115,643	114,362,490	115,561,505
End of period	$ 22,526,738	$ 29,771,312	$ 97,863,268	$ 114,362,490

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 II, Subaccount		Ultra Series Foundation Account, Class I, Subaccount	
	2018	2017	2018	2017
Increase (decrease) in net assets from operations				
Net investment income (loss)	$ 257,692	$ 277,530	$ 5,213	$ 4,725
Net realized gain (loss) on investments	3,408,152	2,227,667	(838)	(4,289)
Net change in unrealized appreciation (depreciation) on investments	(4,437,249)	1,984,229	(10,007)	5,038
Net increase (decrease) in net assets resulting from operations	(771,405)	4,489,426	(5,632)	5,474
Contract transactions				
Payments received from contract owners	64,444	334,440	-	1,645
Transfers between subaccounts (including fixed accounts), net	836,421	1,769,144	7	47,556
Payment for contract benefits and terminations	(7,382,453)	(6,245,489)	(7,064)	(88,868)
Contract charges and fees	(348,415)	(369,259)	(10)	(12)
Adjustments to net assets allocated to contracts in payout period	-	-	-	-
Net increase (decrease) in net assets from contract transactions	(6,830,003)	(4,511,164)	(7,067)	(39,679)
Total increase (decrease) in net assets	(7,601,408)	(21,738)	(12,699)	(34,205)
Net assets				
Beginning of period	40,526,439	40,548,177	293,667	327,872
End of period	$ 32,925,031	$ 40,526,439	$ 280,968	$ 293,667

	Ultra Series Foundation Account, Class II, Subaccount		Ultra Series High Income Fund, Class I, Subaccount	
	2018	2017	2018	2017
Increase (decrease) in net assets from operations				
Net investment income (loss)	$ 245,683	$ 256,193	$ 705,617	$ 709,614
Net realized gain (loss) on investments	(348,497)	(184,726)	(253,801)	(177,868)
Net change in unrealized appreciation (depreciation) on investments	(329,941)	261,166	(1,249,158)	486,726
Net increase (decrease) in net assets resulting from operations	(432,755)	332,633	(797,342)	1,018,472
Contract transactions				
Payments received from contract owners	71,539	60,102	165,051	56,283
Transfers between subaccounts (including fixed accounts), net	(20,682)	184,730	83,600	340,749
Payment for contract benefits and terminations	(3,279,042)	(3,109,264)	(2,434,944)	(2,843,629)
Contract charges and fees	(11,338)	(17,016)	(18,417)	(21,066)
Adjustments to net assets allocated to contracts in payout period	-	-	433	(480)
Net increase (decrease) in net assets from contract transactions	(3,239,523)	(2,881,448)	(2,204,277)	(2,468,143)
Total increase (decrease) in net assets	(3,672,278)	(2,548,815)	(3,001,619)	(1,449,671)
Net assets				
Beginning of period	19,558,399	22,107,214	19,540,939	20,990,610
End of period	$ 15,886,121	$ 19,558,399	$ 16,539,320	$ 19,540,939

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

	Ultra Series High Income Fund, Class II, Subaccount		Ultra Series International Stock Fund, Class I, Subaccount	
	2018	2017	2018	2017
Increase (decrease) in net assets from operations				
Net investment income (loss)	$ 177,665	$ 184,822	$ 68,125	$ (8,728)
Net realized gain (loss) on investments	(63,667)	(34,839)	166,974	(18,355)
Net change in unrealized appreciation (depreciation) on investments	(355,112)	104,237	(3,570,885)	4,740,165
Net increase (decrease) in net assets resulting from operations	(241,114)	254,220	(3,335,786)	4,713,082
Contract transactions				
Payments received from contract owners	37,667	18,556	156,581	241,445
Transfers between subaccounts (including fixed accounts), net	169,534	874,076	216,109	(264,539)
Payment for contract benefits and terminations	(868,435)	(840,150)	(2,898,108)	(3,896,458)
Contract charges and fees	(54,981)	(58,669)	(31,930)	(36,692)
Adjustments to net assets allocated to contracts in payout period	-	-	(5,252)	2,113
Net increase (decrease) in net assets from contract transactions	(716,215)	(6,187)	(2,562,600)	(3,954,131)
Total increase (decrease) in net assets	(957,329)	248,033	(5,898,386)	758,951
Net assets				
Beginning of period	5,561,885	5,313,852	24,794,637	24,035,686
End of period	$ 4,604,556	$ 5,561,885	$ 18,896,251	$ 24,794,637

	Ultra Series International Stock Fund, Class II, Subaccount		Ultra Series Large Cap Growth Fund, Class I, Subaccount	
	2018	2017	2018	2017
Increase (decrease) in net assets from operations				
Net investment income (loss)	$ (1,228)	$ (39,085)	$ (437,242)	$ (401,555)
Net realized gain (loss) on investments	368,237	277,474	22,439,172	11,205,562
Net change in unrealized appreciation (depreciation) on investments	(2,060,748)	2,272,400	(22,816,482)	2,724,606
Net increase (decrease) in net assets resulting from operations	(1,693,739)	2,510,789	(814,552)	13,528,613
Contract transactions				
Payments received from contract owners	69,049	51,220	475,198	411,829
Transfers between subaccounts (including fixed accounts), net	(223,103)	162,118	(1,366,531)	(1,700,288)
Payment for contract benefits and terminations	(2,068,034)	(2,127,437)	(9,175,445)	(9,569,281)
Contract charges and fees	(122,617)	(134,936)	(62,393)	(63,036)
Adjustments to net assets allocated to contracts in payout period	-	-	550	(9,024)
Net increase (decrease) in net assets from contract transactions	(2,344,705)	(2,049,035)	(10,128,621)	(10,929,800)
Total increase (decrease) in net assets	(4,038,444)	461,754	(10,943,173)	2,598,813
Net assets				
Beginning of period	13,257,281	12,795,527	72,371,294	69,772,481
End of period	$ 9,218,837	$ 13,257,281	$ 61,428,121	$ 72,371,294

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

	Ultra Series Large Cap Growth Fund, Class II, Subaccount		Ultra Series Large Cap Value Fund, Class I, Subaccount	
	2018	2017	2018	2017
Increase (decrease) in net assets from operations				
Net investment income (loss)	$ (177,638)	$ (181,919)	$ 165,975	$ 1,021,325
Net realized gain (loss) on investments	6,852,670	3,785,248	8,215,870	5,393,257
Net change in unrealized appreciation (depreciation) on investments	(6,889,482)	858,803	(20,808,992)	7,674,140
Net increase (decrease) in net assets resulting from operations	(214,450)	4,462,132	(12,427,147)	14,088,722
Contract transactions				
Payments received from contract owners	130,673	95,944	660,377	633,175
Transfers between subaccounts (including fixed accounts), net	(1,487,090)	(798,240)	(1,046,375)	(1,249,456)
Payment for contract benefits and terminations	(3,945,847)	(3,842,269)	(12,792,778)	(13,553,036)
Contract charges and fees	(224,149)	(246,082)	(69,711)	(70,671)
Adjustments to net assets allocated to contracts in payout period	-	-	(20,053)	(11,019)
Net increase (decrease) in net assets from contract transactions	(5,526,413)	(4,790,647)	(13,268,540)	(14,251,007)
Total increase (decrease) in net assets	(5,740,863)	(328,515)	(25,695,687)	(162,285)
Net assets				
Beginning of period	23,445,270	23,773,785	104,030,206	104,192,491
End of period	$ 17,704,407	$ 23,445,270	$ 78,334,519	$ 104,030,206

	Ultra Series Large Cap Value Fund, Class II, Subaccount		Ultra Series Mid Cap Fund, Class I, Subaccount	
	2018	2017	2018	2017
Increase (decrease) in net assets from operations				
Net investment income (loss)	$ (5,264)	$ 45,190	$ (843,432)	$ (875,611)
Net realized gain (loss) on investments	496,310	391,950	12,448,581	8,716,180
Net change in unrealized appreciation (depreciation) on investments	(1,112,436)	282,434	(12,969,735)	1,371,638
Net increase (decrease) in net assets resulting from operations	(621,390)	719,574	(1,364,586)	9,212,207
Contract transactions				
Payments received from contract owners	3,660	11,067	314,042	624,109
Transfers between subaccounts (including fixed accounts), net	(402,434)	1,013,743	(1,530,870)	(2,391,638)
Payment for contract benefits and terminations	(643,791)	(868,927)	(7,903,960)	(9,656,991)
Contract charges and fees	(46,479)	(44,959)	(57,569)	(61,132)
Adjustments to net assets allocated to contracts in payout period	-	-	4,662	1,736
Net increase (decrease) in net assets from contract transactions	(1,089,044)	110,924	(9,173,695)	(11,483,916)
Total increase (decrease) in net assets	(1,710,434)	830,498	(10,538,281)	(2,271,709)
Net assets				
Beginning of period	5,539,092	4,708,594	68,775,687	71,047,396
End of period	$ 3,828,658	$ 5,539,092	$ 58,237,406	$ 68,775,687

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 II, Subaccount		Ultra Series Moderate Allocation Fund, Class I, Subaccount	
	2018	2017	2018	2017
Increase (decrease) in net assets from operations				
Net investment income (loss)	$ (130,376)	$ (143,596)	$ (255,920)	$ 665,158
Net realized gain (loss) on investments	2,016,937	1,522,426	9,427,542	6,699,810
Net change in unrealized appreciation (depreciation) on investments	(2,047,539)	5,321	(14,313,943)	5,977,719
Net increase (decrease) in net assets resulting from operations	(160,978)	1,384,151	(5,142,321)	13,342,687
Contract transactions				
Payments received from contract owners	44,566	29,525	336,979	747,933
Transfers between subaccounts (including fixed accounts), net	(736,230)	(126,350)	(731,135)	2,959,951
Payment for contract benefits and terminations	(1,637,716)	(1,815,159)	(14,072,358)	(20,008,246)
Contract charges and fees	(97,131)	(105,348)	(307,958)	(106,326)
Adjustments to net assets allocated to contracts in payout period	-	-	13,803	997
Net increase (decrease) in net assets from contract transactions	(2,426,511)	(2,017,332)	(14,760,669)	(16,405,691)
Total increase (decrease) in net assets	(2,587,489)	(633,181)	(19,902,990)	(3,063,004)
Net assets				
Beginning of period	10,508,613	11,141,794	105,078,970	108,141,974
End of period	$ 7,921,124	$ 10,508,613	$ 85,175,980	$ 105,078,970

	Ultra Series Moderate Allocation Fund, Class II, Subaccount		Vanguard VIF Money Market Portfolio, Subaccount	
	2018	2017	2018	2017
Increase (decrease) in net assets from operations				
Net investment income (loss)	$ (131,146)	$ 78,357	$ 158,268	$ (68,603)
Net realized gain (loss) on investments	2,792,234	2,144,050	-	-
Net change in unrealized appreciation (depreciation) on investments	(3,932,399)	1,164,760	-	-
Net increase (decrease) in net assets resulting from operations	(1,271,311)	3,387,167	158,268	(68,603)
Contract transactions				
Payments received from contract owners	467,533	165,519	167,594	264,392
Transfers between subaccounts (including fixed accounts), net	938,722	1,175,237	1,680,586	20,703,309
Payment for contract benefits and terminations	(6,400,760)	(5,614,760)	(8,150,310)	(5,593,318)
Contract charges and fees	(196,954)	(217,880)	(139,667)	(119,312)
Adjustments to net assets allocated to contracts in payout period	-	-	(1,901)	(43,567)
Net increase (decrease) in net assets from contract transactions	(5,191,459)	(4,491,884)	(6,443,698)	15,211,504
Total increase (decrease) in net assets	(6,462,770)	(1,104,717)	(6,285,430)	15,142,901
Net assets				
Beginning of period	26,764,909	27,869,626	30,547,545	15,404,644
End of period	$ 20,302,139	$ 26,764,909	$ 24,262,115	$ 30,547,545

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.

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 Opportunities 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*.

(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.

(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 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.

(3) Fees and Charges (continued)

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.

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.

(3) Fees and Charges (continued)

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.

(4) Fair Value (continued)

The following table summarizes the Account's assets that are measured at fair value as of December 31, 2018. 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, 2018 Assets, at Fair Value		Total
BlackRock Global Allocation V.I. Fund, Class III, Subaccount	$	16,619,031
Franklin Income VIP Fund, Class 4, Subaccount		10,791,576
Franklin Mutual Global Discovery VIP Fund, Class 4, Subaccount		6,452,387
Templeton Developing Markets VIP Fund, Class 2, Subaccount		678,619
Invesco V.I. Global Real Estate Fund, Series II Shares, Subaccount		5,592,501
Invesco V.I. Government Securities Fund, Series II Shares, Subaccount		13,680,584
Invesco V.I. Growth and Income, Series II Shares, Subaccount		27,967,076
Invesco V.I. Mid Cap Growth, Series II Shares, Subaccount		6,497,411
MFS® Strategic Income Portfolio, Initial Class, Subaccount		601,084
Oppenheimer Global Strategic Income Fund/VA, Non-Service Shares, Subaccount		355,711
Oppenheimer International Growth Fund/VA, Service Shares, Subaccount		13,164,756
Oppenheimer Main Street Small Cap Fund®/VA, Service Shares, Subaccount		7,168,955
Oppenheimer Main Street Fund®/VA, Service Shares, Subaccount		15,005,888
PIMCO CommodityRealReturn® Strategy Portfolio, Advisor Class, Subaccount		6,703,889
PIMCO Global Bond Opportunities Portfolio (Unhedged), Advisor Class, Subaccount		15,781,990
PIMCO Total Return Portfolio, Advisor Class, Subaccount		33,453,951
T. Rowe Price International Stock Portfolio, Subaccount		3,893,576
Ultra Series Aggressive Allocation Fund, Class I, Subaccount		8,049,825
Ultra Series Aggressive Allocation Fund, Class II, Subaccount		1,526,564
Ultra Series Core Bond Fund, Class I, Subaccount		51,077,391
Ultra Series Core Bond Fund, Class II, Subaccount		13,826,649
Ultra Series Conservative Allocation Fund, Class I, Subaccount		46,020,657
Ultra Series Conservative Allocation Fund, Class II, Subaccount		22,526,738
Ultra Series Diversified Income Fund, Class I, Subaccount		97,863,268
Ultra Series Diversified Income Fund, Class II, Subaccount		32,925,031
Ultra Series Foundation Account, Class I, Subaccount		280,968
Ultra Series Foundation Account, Class II, Subaccount		15,886,121
Ultra Series High Income Fund, Class I, Subaccount		16,539,320
Ultra Series High Income Fund, Class II, Subaccount		4,604,556
Ultra Series International Stock Fund, Class I, Subaccount		18,896,251
Ultra Series International Stock Fund, Class II, Subaccount		9,218,837
Ultra Series Large Cap Growth Fund, Class I, Subaccount		61,428,121
Ultra Series Large Cap Growth Fund, Class II, Subaccount		17,704,407
Ultra Series Large Cap Value Fund, Class I, Subaccount		78,334,519
Ultra Series Large Cap Value Fund, Class II, Subaccount		3,828,658
Ultra Series Mid Cap Fund, Class I, Subaccount		58,237,406
Ultra Series Mid Cap Fund, Class II, Subaccount		7,921,124
Ultra Series Moderate Allocation Fund, Class I, Subaccount		85,175,980
Ultra Series Moderate Allocation Fund, Class II, Subaccount		20,302,139
Vanguard Variable Insurance Fund Money Market Portfolio, Subaccount		24,262,115

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, 2018.

(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 Opportunities 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.

(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, 2018 were as follows:

Year Ended December 31, 2018	Purchases	Sales
BlackRock Global Allocation V.I. Fund, Class III, Subaccount	$ 1,033,152	$ 7,483,171
Franklin Income VIP Fund, Class 4, Subaccount	759,026	3,785,528
Franklin Mutual Global Discovery VIP Fund, Class 4, Subaccount	377,520	1,836,490
Templeton Developing Markets VIP Fund, Class 2, Subaccount	7,798	102,774
Invesco V.I. Global Real Estate Fund, Series II Shares, Subaccount	365,234	1,499,112
Invesco V.I. Government Securities Fund, Series II Shares, Subaccount	590,793	3,005,753
Invesco V.I. Growth and Income, Series II Shares, Subaccount	4,032,352	9,071,735
Invesco V.I. Mid Cap Growth, Series II Shares, Subaccount	978,988	3,816,998
MFS® Strategic Income Portfolio, Initial Class, Subaccount	27,422	58,527
Oppenheimer Global Strategic Income Fund/VA, Non-Service Shares, Subaccount	20,797	54,507
Oppenheimer International Growth Fund/VA, Service Shares, Subaccount	983,289	5,371,481
Oppenheimer Main Street Small Cap Fund®/VA, Service Shares, Subaccount	1,271,196	3,372,907
Oppenheimer Main Street Fund®/VA, Service Shares, Subaccount	1,932,905	4,624,663
PIMCO Commodity - RealReturn® Strategy Portfolio, Advisor Class, Subaccount	338,087	1,702,552
PIMCO Global Bond Opportunities Portfolio (Unhedged), Advisor Class, Subaccount	1,424,486	3,847,256
PIMCO Total Return Portfolio, Advisor Class, Subaccount	1,889,659	6,955,408
T. Rowe Price International Stock Portfolio, Subaccount	566,644	779,530
Ultra Series Aggressive Allocation Fund, Class I, Subaccount	1,623,906	1,127,050
Ultra Series Aggressive Allocation Fund, Class II, Subaccount	252,016	645,079
Ultra Series Core Bond Fund, Class I, Subaccount	3,192,232	9,978,517
Ultra Series Core Bond Fund, Class II, Subaccount	909,502	2,209,175
Ultra Series Conservative Allocation Fund, Class I, Subaccount	6,255,355	12,791,355
Ultra Series Conservative Allocation Fund, Class II, Subaccount	2,051,712	7,018,493
Ultra Series Diversified Income Fund, Class I, Subaccount	12,673,174	17,639,354
Ultra Series Diversified Income Fund, Class II, Subaccount	4,774,350	8,518,324
Ultra Series Foundation Account, Class I, Subaccount	9,216	11,069
Ultra Series Foundation Account, Class II, Subaccount	797,537	3,791,377
Ultra Series High Income Fund, Class I, Subaccount	1,310,113	2,808,773
Ultra Series High Income Fund, Class II, Subaccount	347,423	885,972
Ultra Series International Stock Fund, Class I, Subaccount	1,111,459	3,605,934
Ultra Series International Stock Fund, Class II, Subaccount	254,341	2,600,275
Ultra Series Large Cap Growth Fund, Class I, Subaccount	22,576,105	12,146,496
Ultra Series Large Cap Growth Fund, Class II, Subaccount	6,315,705	5,898,078
Ultra Series Large Cap Value Fund, Class I, Subaccount	10,921,874	15,808,759
Ultra Series Large Cap Value Fund, Class II, Subaccount	520,874	1,206,595
Ultra Series Mid Cap Fund, Class I, Subaccount	11,176,258	10,467,087
Ultra Series Mid Cap Fund, Class II, Subaccount	1,512,369	2,576,495
Ultra Series Moderate Allocation Fund, Class I, Subaccount	10,296,511	16,638,337
Ultra Series Moderate Allocation Fund, Class II, Subaccount	3,762,426	7,009,033
Vanguard VIF Money Market Portfolio, Subaccount	4,238,050	10,523,480

(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, 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 Opportunities 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

(6) Changes in Units Outstanding

The changes in units outstanding for the years ended December 31, 2018 and 2017 were as follows:

	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
Units outstanding at December 31, 2016	2,102,695	1,250,390	749,233
Units issued	96,943	904,733	722,572
Units redeemed	(419,905)	(1,152,631)	(894,675)
Units outstanding at December 31, 2017	**1,779,733**	**1,002,492**	**577,130**
Units issued	61,626	656,160	552,639
Units redeemed	(565,210)	(886,913)	(655,665)
Units outstanding at December 31, 2018	**1,276,149**	**771,739**	**474,104**

	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
Units outstanding at December 31, 2016	58,608	776,727	1,712,331
Units issued	23	766,423	1,739,222
Units redeemed	(4,075)	(899,735)	(1,886,792)
Units outstanding at December 31, 2017	**54,556**	**643,415**	**1,564,761**
Units issued	-	601,537	1,529,182
Units redeemed	(5,840)	(720,948)	(1,770,550)
Units outstanding at December 31, 2018	**48,716**	**524,004**	**1,323,393**

	Invesco V.I. Growth and Income, Series II Shares, Subaccount	Invesco V.I. Mid Cap Growth, Series II Shares, Subaccount	MFS® Strategic Income Portfolio, Initial Class, Subaccount
Units outstanding at December 31, 2016	3,131,848	798,134	31,453
Units issued	2,596,508	746,451	3
Units redeemed	(3,530,976)	(948,609)	(3,205)
Units outstanding at December 31, 2017	**2,197,380**	**595,976**	**28,251**
Units issued	1,926,943	462,428	97
Units redeemed	(2,373,940)	(657,324)	(2,123)
Units outstanding at December 31, 2018	**1,750,383**	**401,080**	**26,225**

	Oppenheimer Global Strategic Income Fund/VA, Service Shares, Subaccount	Oppenheimer Main International Growth Fund/VA, Service Shares, Subaccount	Oppenheimer Main Street Small Cap Fund®/VA, Service Shares, Subaccount
Units outstanding at December 31, 2016	100,633	1,979,513	701,356
Units issued	77	1,858,858	607,463
Units redeemed	(13,191)	(2,304,692)	(798,078)
Units outstanding at December 31, 2017	**87,519**	**1,533,679**	**510,741**
Units issued	69	1,346,943	397,722
Units redeemed	(9,922)	(1,674,227)	(537,167)
Units outstanding at December 31, 2018	**77,666**	**1,206,395**	**371,296**

(6) Changes in Units Outstanding (continued)

	Oppenheimer Main Street Fund®/VA, Service Shares, Subaccount	PIMCO Commodity - RealReturn® Strategy Portfolio, Advisor Class, Subaccount	PIMCO Global Bond Opportunities Portfolio (Unhedged), Advisor Class, Subaccount
Units outstanding at December 31, 2016	1,529,686	2,648,819	1,997,238
Units issued	1,281,822	2,683,253	1,965,387
Units redeemed	(1,717,738)	(3,159,316)	(2,344,921)
Units outstanding at December 31, 2017	**1,093,770**	**2,172,756**	**1,617,704**
Units issued	897,478	2,148,332	1,538,663
Units redeemed	(1,117,092)	(2,489,943)	(1,810,783)
Units outstanding at December 31, 2018	**874,156**	**1,831,145**	**1,345,584**

	PIMCO Total Return Portfolio, Advisor Class, Subaccount	T. Rowe Price International Stock Portfolio, Subaccount	Ultra Series Aggressive Allocation Fund, Class I, Subaccount
Units outstanding at December 31, 2016	3,716,282	250,500	713,114
Units issued	3,168,707	2,311	188,988
Units redeemed	(3,942,153)	(34,158)	(256,876)
Units outstanding at December 31, 2017	**2,942,836**	**218,653**	**645,226**
Units issued	2,549,425	273	171,114
Units redeemed	(2,988,928)	(27,595)	(217,139)
Units outstanding at December 31, 2018	**2,503,333**	**191,331**	**599,201**

	Ultra Series Aggressive Allocation Fund, Class II, Subaccount	Ultra Series Core Bond Fund, Class I, Subaccount	Ultra Series Core Bond Fund, Class II, Subaccount
Units outstanding at December 31, 2016	106,576	4,613,739	1,394,884
Units issued	17,758	3,648,201	1,689,177
Units redeemed	(22,439)	(4,258,019)	(1,736,089)
Units outstanding at December 31, 2017	**101,895**	**4,003,921**	**1,347,972**
Units issued	4,278	3,424,046	1,282,586
Units redeemed	(31,888)	(3,952,963)	(1,416,824)
Units outstanding at December 31, 2018	**74,285**	**3,475,004**	**1,213,734**

	Ultra Series Conservative Allocation Fund, Class I, Subaccount	Ultra Series Conservative Allocation Fund, Class II, Subaccount	Ultra Series Diversified Income Fund, Class I, Subaccount
Units outstanding at December 31, 2016	5,101,403	2,096,639	5,446,256
Units issued	1,360,028	858,399	2,243,527
Units redeemed	(2,339,289)	(1,106,578)	(2,864,016)
Units outstanding at December 31, 2017	**4,122,142**	**1,848,460**	**4,825,767**
Units issued	1,236,834	640,908	1,910,962
Units redeemed	(1,912,615)	(1,033,793)	(2,509,519)
Units outstanding at December 31, 2018	**3,446,361**	**1,455,575**	**4,227,210**

(6) Changes in Units Outstanding (continued)

	Ultra Series Diversified Income Fund, Class II, Subaccount	Ultra Series Foundation Account, Class I, Subaccount	Ultra Series Foundation Account, Class II, Subaccount
Units outstanding at December 31, 2016	2,281,872	30,384	2,057,959
Units issued	371,708	5,868	136,109
Units redeemed	(609,404)	(9,506)	(402,341)
Units outstanding at December 31, 2017	**2,044,176**	**26,746**	**1,791,727**
Units issued	198,227	-	30,816
Units redeemed	(540,727)	(658)	(335,309)
Units outstanding at December 31, 2018	**1,701,676**	**26,088**	**1,487,234**

	Ultra Series High Income Fund, Class I, Subaccount	Ultra Series High Income Fund, Class II, Subaccount	Ultra Series International Stock Fund, Class I, Subaccount
Units outstanding at December 31, 2016	1,056,897	334,433	1,525,877
Units issued	805,077	410,978	1,300,974
Units redeemed	(926,839)	(410,068)	(1,532,489)
Units outstanding at December 31, 2017	**935,135**	**335,343**	**1,294,362**
Units issued	750,598	326,114	1,155,652
Units redeemed	(857,452)	(369,784)	(1,294,009)
Units outstanding at December 31, 2018	**828,281**	**291,673**	**1,156,005**

	Ultra Series International Stock Fund, Class II, Subaccount	Ultra Series Large Cap Growth Fund, Class I, Subaccount	Ultra Series Large Cap Growth Fund, Class II, Subaccount
Units outstanding at December 31, 2016	870,181	3,108,558	1,085,183
Units issued	907,245	1,857,192	1,048,057
Units redeemed	(1,027,026)	(2,283,278)	(1,242,356)
Units outstanding at December 31, 2017	**750,400**	**2,682,472**	**890,884**
Units issued	706,978	1,571,174	784,187
Units redeemed	(842,649)	(1,954,394)	(988,949)
Units outstanding at December 31, 2018	**614,729**	**2,299,252**	**686,122**

	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
Units outstanding at December 31, 2016	4,369,351	202,247	2,498,144
Units issued	2,480,601	263,832	1,509,946
Units redeemed	(3,041,849)	(255,558)	(1,903,868)
Units outstanding at December 31, 2017	**3,808,103**	**210,521**	**2,104,222**
Units issued	2,159,432	179,133	1,230,869
Units redeemed	(2,636,779)	(220,178)	(1,510,711)
Units outstanding at December 31, 2018	**3,330,756**	**169,476**	**1,824,380**

(6) Changes in Units Outstanding (continued)

	Ultra Series Mid Cap Fund, Class II, Subaccount	Ultra Series Moderate Allocation Fund, Class I, Subaccount	Ultra Series Moderate Allocation Fund, Class II, Subaccount
Units outstanding at December 31, 2016	430,049	8,436,352	1,618,267
Units issued	429,485	1,578,802	523,805
Units redeemed	(502,698)	(2,767,579)	(765,413)
Units outstanding at December 31, 2017	**356,836**	**7,247,575**	**1,376,659**
Units issued	307,288	1,123,294	431,314
Units redeemed	(386,703)	(2,146,942)	(698,119)
Units outstanding at December 31, 2018	**277,421**	**6,223,927**	**1,109,854**

	Vanguard VIF Money Market Portfolio, Subaccount
Units outstanding at December 31, 2016	1,554,591
Units issued	4,203,540
Units redeemed	(2,671,304)
Units outstanding at December 31, 2017	**3,086,827**
Units issued	2,256,133
Units redeemed	(2,908,087)
Units outstanding at December 31, 2018	**2,434,873**

(7) Financial Highlights

The table below provides financial highlights for each subaccount for the year ended December 31, 2018 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										
12/31/2018	1,276	$ 13.03	to	$ 12.71	$ 16,619	0.76%	1.30% to 1.80%	-8.75%	to	-9.08%
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%
Franklin Income VIP Fund, Class 4, Subaccount										
12/31/2018	772	$ 14.23	to	$ 14.45	$ 10,792	4.63%	1.15% to 1.80%	-5.45%	to	-6.17%
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%
Franklin Mutual Global Discovery VIP Fund, Class 4, Subaccount										
12/31/2018	474	$ 13.89	to	$ 14.25	$ 6,452	2.07%	1.15% to 1.80%	-12.31%	to	-12.90%
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%
Templeton Developing Markets VIP Fund, Class 2, Subaccount										
12/31/2018	49	$ 13.93	to	(a)	$ 679	0.87%	1.40%	-16.89%	to	(a)
12/31/2017	55	16.76	to	(a)	914	0.98%	1.40%	38.51%	to	(a)
12/31/2016	59	12.10	to	(a)	709	0.80%	1.40%	15.68%	to	(a)
12/31/2015	71	10.46	to	(a)	747	2.08%	1.40%	-20.64%	to	(a)
12/31/2014	79	13.18	to	(a)	1,038	1.48%	1.40%	-9.73%	to	(a)
Invesco V.I. Global Real Estate Fund, Series II Shares, Subaccount										
12/31/2018	524	$ 11.11	to	$ 12.46	$5,593	3.53%	1.15% to 1.80%	-7.34%	to	-7.98%
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%

(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. Government Securities Fund, Series II Shares, Subaccount											
12/31/2018	1,323	$ 10.37	to	$	9.85	$13,681	1.90%	1.30% to 1.80%	-1.14%	to	-1.40%
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%
Invesco V.I. Growth and Income, Series II Shares, Subaccount											
12/31/2018	1,750	$ 16.22	to	$	16.73	$27,967	1.70%	1.15% to 1.80%	-14.54%	to	-15.12%
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%
Invesco V.I. Mid Cap Growth, Series II Shares, Subaccount											
12/31/2018	401	$ 16.18	to	$	16.69	$6,497	0.00%	1.15% to 1.80%	-6.96%	to	-7.59%
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%
MFS® Strategic Income Portfolio, Initial Class, Subaccount											
12/31/2018	26	$ 22.92	to		(a)	$ 601	3.96%	1.40%	-3.41%	to	(a)
12/31/2017	28	23.73	to		(a)	670	4.57%	1.40%	4.77%	to	(a)
12/31/2016	31	22.65	to		(a)	712	3.03%	1.40%	6.69%	to	(a)
12/31/2015	36	21.23	to		(a)	769	5.64%	1.40%	-3.19%	to	(a)
12/31/2014	41	21.93	to		(a)	892	3.17%	1.40%	1.81%	to	(a)
Oppenheimer Global Strategic Income Fund/VA, Non-Service Shares, Subaccount											
12/31/2018	78	$ 4.58	to		(a)	$ 356	4.98%	1.40%	-5.95%	to	(a)
12/31/2017	88	4.87	to		(a)	426	2.31%	1.40%	4.06%	to	(a)
12/31/2016	101	4.68	to		(a)	471	4.84%	1.40%	4.93%	to	(a)
12/31/2015	116	4.46	to		(a)	517	5.95%	1.40%	-3.67%	to	(a)
12/31/2014	135	4.63	to		(a)	625	4.30%	0.014	1.31%	to	(a)
Oppenheimer International Growth Fund/VA, Service Shares, Subaccount											
12/31/2018	1,206	$ 11.28	to	$	11.35	$ 13,165	0.59%	1.15% to 1.80%	-20.51%	to	-21.13%
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%

(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 Main Street Small Cap Fund®/VA, Service Shares, Subaccount											
12/31/2018	371	$	19.73	to	$ 19.37	$ 7,169	0.06%	1.15% to 1.80%	-11.56%	to	-12.15%
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%
Oppenheimer Main Street Fund®/VA, Service Shares, Subaccount											
12/31/2018	874	$	17.51	to	$ 18.02	$ 15,006	0.90%	1.15% to 1.80%	-9.09%	to	-9.72%
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%
PIMCO Commodity - RealReturn® Strategy Portfolio, Advisor Class, Subaccount											
12/31/2018	1,831	$	3.70	to	$ 3.26	$ 6,704	1.98%	1.15% to 1.80%	-14.94%	to	-15.32%
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%
PIMCO Global Bond Opportunities Portfolio (Unhedged), Advisor Class, Subaccount											
12/31/2018	1,346	$	11.98	to	$ 11.22	$ 15,782	6.10%	1.15% to 1.80%	-5.37%	to	-5.87%
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%
PIMCO Total Return Portfolio, Advisor Class, Subaccount											
12/31/2018	2,503	$	13.56	to	$ 12.95	$ 33,454	2.43%	1.15% to 1.80%	-1.88%	to	-2.48%
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%
T. Rowe Price International Stock Portfolio, Subaccount											
12/31/2018	191	$	20.35	to	(a)	$ 3,894	1.27%	1.40%	-15.31%	to	(a)
12/31/2017	219		24.03	to	(a)	5,254	1.05%	1.40%	26.08%	to	(a)
12/31/2016	251		19.06	to	(a)	4,773	1.02%	1.40%	0.74%	to	(a)
12/31/2015	285		18.92	to	(a)	5,397	0.88%	1.40%	-2.27%	to	(a)
12/31/2014	323		19.36	to	(a)	6,254	0.99%	1.40%	-2.57%	to	(a)

(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 Aggressive Allocation Fund, Class I, Subaccount										
12/31/2018	599	$ 13.07	to	$ 13.70	$ 8,050	1.81%	1.15% to 1.80%	-7.24%	to	-7.87%
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%
Ultra Series Aggressive Allocation Fund, Class II, Subaccount										
12/31/2018	74	$ 20.55	to	(b)	$ 1,527	1.25%	1.30%	-7.64%	to	(b)
12/31/2017	102	22.25	to	(b)	2,267	1.52%	1.30%	16.68%	to	(b)
12/31/2016	107	19.07	to	(b)	2,032	1.76%	1.30%	7.26%	to	(b)
12/31/2015	95	17.78	to	(b)	1,681	1.28%	1.30%	-2.68%	to	(b)
12/31/2014	99	18.27	to	(b)	1,810	1.65%	1.30%	5.91%	to	(b)
Ultra Series Core Bond Fund, Class I, Subaccount										
12/31/2018	3,475	$ 16.24	to	$ 11.44	$ 51,077	2.98%	1.15% to 1.80%	-1.69%	to	-2.47%
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%
Ultra Series Core Bond Fund, Class II, Subaccount										
12/31/2018	1,214	$ 11.47	to	$ 10.86	$ 13,827	2.81%	1.30% to 1.80%	-2.13%	to	-2.60%
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%
Ultra Series Conservative Allocation Fund, Class I, Subaccount										
12/31/2018	3,446	$ 13.27	to	$ 12.35	$ 46,021	2.26%	1.15% to 1.80%	-3.56%	to	-4.26%
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%
Ultra Series Conservative Allocation Fund, Class II, Subaccount										
12/31/2018	1,456	$ 15.51	to	$ 14.26	$ 22,527	1.90%	1.30% to 1.80%	-3.96%	to	-4.49%
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%

(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 Diversified Income Fund, Class I, Subaccount												
12/31/2018	4,227	$ 19.78	to	$ 16.27	$	97,863		2.28%	1.15% to 1.80%	-1.93%	to	-2.57%
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%
Ultra Series Diversified Income Fund, Class II, Subaccount												
12/31/2018	1,702	$ 19.44	to	$ 18.58	$	32,925		2.05%	1.30% to 1.80%	-2.31%	to	-2.82%
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%
Ultra Series Foundation Account, Class I, Subaccount												
12/31/2018	26	$ 10.77	to	(a)	$	281		3.16%	1.30%	-1.91%	to	(a)
12/31/2017	27	10.98	to	(a)		294		2.85%	1.30%	1.76%	to	(a)
12/31/2016	30	10.79	to	(a)		328		3.02%	1.30%	1.41%	to	(a)
12/31/2015	33	10.64	to	(a)		354		3.18%	1.30%	-1.48%	to	(a)
12/31/2014	34	10.80	to	(a)		364		0.63%	1.30%	3.85%	to	(a)
Ultra Series Foundation Account, Class II, Subaccount												
12/31/2018	1,487	$ 10.70	to	$ 10.23	$	15,886		2.75%	1.30% to 1.80%	-2.10%	to	-2.57%
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%
Ultra Series High Income Fund, Class I, Subaccount												
12/31/2018	828	$ 23.13	to	$ 14.85	$	16,539		5.13%	1.15% to 1.80%	-4.34%	to	-4.93%
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%
Ultra Series High Income Fund, Class II, Subaccount												
12/31/2018	292	$ 15.96	to	$ 14.82	$	4,605		4.82%	1.30% to 1.80%	-4.66%	to	-5.24%
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%

(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 International Stock Fund, Class I, Subaccount						
12/31/2018	1,156	$ 16.18 to $ 8.40	$ 18,896	1.57%	1.15% to 1.80%	-14.66% to -15.15%
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%
Ultra Series International Stock Fund, Class II, Subaccount						
12/31/2018	615	$ 15.27 to $ 13.34	$ 9,219	1.35%	1.30% to 1.80%	-14.98% to -15.46%
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%
Ultra Series Large Cap Growth Fund, Class I, Subaccount						
12/31/2018	2,299	$ 17.36 to $ 16.60	$ 61,428	0.67%	1.15% to 1.80%	-1.36% to -2.01%
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%
Ultra Series Large Cap Growth Fund, Class II, Subaccount						
12/31/2018	686	$ 26.13 to $ 23.88	$ 17,704	0.51%	1.30% to 1.80%	-1.80% to -2.33%
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%
Ultra Series Large Cap Value Fund, Class I, Subaccount						
12/31/2018	3,331	$ 16.02 to $ 12.57	$ 78,335	1.48%	1.15% to 1.80%	-13.55% to -14.14%
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%
Ultra Series Large Cap Value Fund, Class II, Subaccount						
12/31/2018	169	$ 23.10 to $ 21.22	$ 3,829	1.28%	1.30% to 1.80%	-13.97% to -14.30%
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%

(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 Mid Cap Fund, Class I, Subaccount											
12/31/2018	1,824	$ 32.15	to	$ 16.93		$ 58,237	0.00%	1.15% to 1.80%	-2.63%	to	-3.15%
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%
Ultra Series Mid Cap Fund, Class II, Subaccount											
12/31/2018	277	$ 28.81	to	$ 27.07		$ 7,921	0.00%	1.30% to 1.80%	-2.96%	to	-3.49%
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%
Ultra Series Moderate Allocation Fund, Class I, Subaccount											
12/31/2018	6,224	$ 13.37	to	$ 11.93		$ 85,176	1.04%	1.15% to 1.80%	-5.45%	to	-6.06%
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%
Ultra Series Moderate Allocation Fund, Class II, Subaccount											
12/31/2018	1,110	$ 18.38	to	$ 17.08		$ 20,302	0.78%	1.30% to 1.80%	-5.79%	to	-6.36%
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%
Vanguard VIF Money Market Portfolio, Subaccount											
12/31/2018	2,435	$ 10.01	to	$ 9.77		$ 24,262	1.93%	1.15% to 1.80%	0.81%	to	0.10%
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[c]	3,109	9.93	to	9.87		15,405	48.00%	1.15% to 1.80%	-0.70%	to	-1.30%

(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) 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.

(b) 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.

(c) 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.

DECEMBER 31, 2018

ANNUAL REPORT

BlackRock

BlackRock Variable Series Funds, Inc.

- BlackRock Global Allocation V.I. Fund

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The Markets in Review

Dear Shareholder,

In the 12 months ended December 31, 2018, concerns about a variety of political risks and a modest slowdown in global growth worked against the equity market despite solid corporate earnings, while rising interest rates constrained bond returns. Though the market's appetite for risk remained healthy for most of the reporting period, risk-taking declined sharply later in the reporting period. As a result, bonds held their value better than stocks, which posted negative returns across the globe. Shorter-term, higher-quality securities led the bond market, and U.S. equities outperformed most international stock markets.

Volatility rose in emerging market stocks, as the rising U.S. dollar and higher interest rates in the U.S. disrupted economic growth abroad. U.S.-China trade relations and debt concerns adversely affected the Chinese stock market, while Turkey and Argentina became embroiled in currency crises, largely due to hyperinflation in both countries. An economic slowdown in Europe also led to negative performance for European equities.

In fixed income markets, short-term U.S. Treasury interest rates rose the fastest, while longer-term rates slightly increased. This led to a negative return for long-term U.S. Treasuries and a substantial flattening of the yield curve. Many investors are concerned with the flattening yield curve as a harbinger of recession. However, given the extraordinary monetary measures in the last decade, we believe a more accurate barometer for the economy is the returns along the risk spectrums in stock and bond markets. Although the fundamentals in credit markets remained relatively solid, investment-grade bonds posted flat returns, and high-yield bonds declined slightly. Recent sell-offs in risk assets have flattened asset returns along the risk spectrum somewhat, which bears further scrutiny in the months ahead.

In response to rising growth and inflation, the U.S. Federal Reserve (the "Fed") increased short-term interest rates four times during the reporting period. The Fed also continued to reduce its balance sheet, gradually reversing the unprecedented stimulus measures it enacted after the financial crisis. By our estimation, the Fed's neutral interest rate, or the theoretical rate that is neither stimulative nor restrictive to the economy, is approximately 3.0%. With that perspective, the Fed's current policy is still mildly stimulative to the U.S. economy, which leaves room for further Fed rate hikes to arrive at monetary policy that is a neutral factor for economic growth.

Volatility in the U.S. equity market spiked in October, as a wide range of risks were brought to bear on markets, ranging from rising interest rates and slowing global growth to heightened trade tensions and political turmoil in several countries, including the United States. This was accompanied by a broad based risk-off in December — which was the worst December performance on record since 1931. Although fears of recession drove equity volatility higher at the end of 2018, we continue to believe the probability of recession in 2019 remains relatively low.

Economic growth and global earnings are likely to slow somewhat in 2019 — the tax cut stimulus will be less pronounced, and the Fed's rate hikes in 2018 will gain traction in 2019. Trade frictions look more baked into asset prices than a year ago, but markets may be overlooking European political risks. Consequently, we are cautious on European equities, as European unity remains tenuous with a history of flare-ups. We continue to prefer to take risk in U.S. and emerging market equities. Within U.S. equities, we believe that companies with high-quality earnings and strong balance sheets offer the most attractive risk/reward trade-off. Going into 2019, we also favor short-term bonds over long-term bonds because they offer nearly equivalent yields with far lower volatility.

In this environment, investors need to think globally, extend their scope across a broad array of asset classes, and be nimble as market conditions change. We encourage you to talk with your financial advisor and visit **blackrock.com** for further insight about investing in today's markets.

Sincerely,

Rob Kapito
President, BlackRock Advisors, LLC

Rob Kapito
President, BlackRock Advisors, LLC

Total Returns as of December 31, 2018

	6-month	12-month
U.S. large cap equities (S&P 500® Index)	(6.85)%	(4.38)%
U.S. small cap equities (Russell 2000® Index)	(17.35)	(11.01)
International equities (MSCI Europe, Australasia, Far East Index)	(11.35)	(13.79)
Emerging market equities (MSCI Emerging Markets Index)	(8.48)	(14.57)
3-month Treasury bills (ICE BofAML 3-Month U.S. Treasury Bill Index)	1.06	1.87
U.S. Treasury securities (ICE BofAML 10-Year U.S. Treasury Index)	2.72	(0.03)
U.S. investment grade bonds (Bloomberg Barclays U.S. Aggregate Bond Index)	1.65	0.01
Tax-exempt municipal bonds (S&P Municipal Bond Index)	1.38	1.36
U.S. high yield bonds (Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index)	(2.24)	(2.08)

Past performance is no guarantee of future results. Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

Investment Objective

BlackRock Global Allocation V.I. Fund's (the "Fund") investment objective is to seek high total investment return.

Portfolio Management Commentary

How did the Fund perform?

For the 12-month period ended December 31, 2018, the Fund underperformed its Reference Benchmark and outperformed the broad-based all-equity benchmark, the FTSE World Index. The Reference Benchmark is comprised as follows: 36% S&P 500® Index; 24% FTSE World (ex-U.S.) Index; 24% ICE BofAML Current 5-Year U.S. Treasury Index; and 16% FTSE Non-U.S. Dollar World Government Bond Index. The Fund invests in both equities and bonds, and therefore, Fund management believes that the Reference Benchmark provides a more accurate representation of the Fund's composition and a more comparable means for measurement. The following discussion of relative performance pertains to the Reference Benchmark. The following commentary (and referenced allocation percentages) are based on the economic exposures of the Fund, which reflect adjustments for futures, swaps and options (except with respect to fixed income securities), and convertible bonds, and may vary relative to the market value.

What factors influenced performance?

Within equities, an overweight to Japan and underweight to the United States detracted from performance. In Europe, exposure to financials negatively influenced returns. From a sector perspective, an overweight to and stock selection within energy weighed on returns, as did stock selection within information technology ("IT"), health care, consumer discretionary, materials and real estate. Broadly speaking, an underweight to fixed income negatively impacted returns. Within fixed income, an overweight stance with respect to U.S. duration (and corresponding sensitivity to interest rate changes) weighed on performance, as did exposure to select emerging market government bonds. Exposure to commodity-related securities detracted as well. In terms of currency management, an overweight to the Indian rupee negatively impacted performance.

Within equities, an overweight to India positively impacted returns. From a sector perspective, overweights to health care and IT and underweights to consumer staples, financials and industrials contributed to performance. Stock selection within utilities and industrials was additive. The Fund's performance also benefited from exposure to cash and cash equivalents. With respect to currency exposure, an underweight to the euro and an overweight to the U.S. dollar contributed to performance.

The Fund uses derivatives, which may include options, futures, swaps, and forward contracts both to seek to enhance returns of the Fund and to hedge (or protect) against adverse movements in currency exchange rates, interest rates, and movements in the securities markets. During the period, the Fund's use of derivatives detracted from its performance.

Describe recent portfolio activity.

During the 12-month period, the Fund's overall equity allocation decreased from 62% to 58% of net assets. Within equities, the Fund decreased exposure to Europe, notably the United Kingdom, Germany and France, and increased exposure to Canada and Brazil. From a sector perspective, the Fund decreased exposure to IT, financials, industrials and consumer discretionary, and increased exposure to health care, consumer staples and communication services.

The Fund's overall allocation to fixed income increased from 30% to 31% of net assets. Within fixed income, the Fund increased exposure to government bonds and corporate credit.

The Fund's allocation to commodity-related securities decreased from 4% to 2% of net assets.

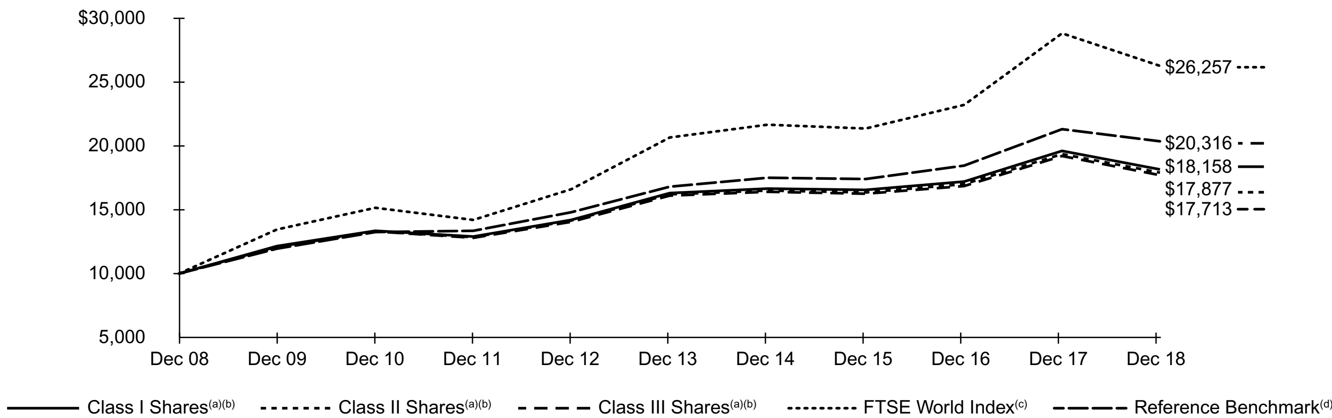
Reflecting the above changes, the Fund's holdings of cash and cash equivalents increased from 4% to 9% of net assets. During the 12-month period, the Fund's cash position helped mitigate portfolio volatility and served as a source of funds for new investments and redemptions.

Describe portfolio positioning at period end.

Relative to its Reference Benchmark, the Fund was underweight in equities and fixed income, and overweight in commodity-related securities and cash equivalents. Within equities, the Fund was overweight in Asia and underweight in the United States and Europe. Within Asia, the Fund was overweight in Japan, China and India, and underweight in Australia. Within Europe, the Fund was overweight in the Netherlands and underweight in the United Kingdom, Germany and Switzerland. From a sector perspective, the Fund was overweight in communication services, energy and health care, and was underweight in financials, IT, industrials and consumer discretionary. Within fixed income, the Fund was underweight in developed market government bonds and overweight in corporate debt. With respect to currency exposure, the Fund was overweight in the U.S. dollar, Indian rupee and Hong Kong dollar, and underweight in the euro, Australian dollar, Swiss franc and British pound.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

TOTAL RETURN BASED ON A $10,000 INVESTMENT



[a] Assuming transaction costs, if any, and other operating expenses, including investment advisory fees. Does not include insurance-related fees and expenses.

[b] The Fund invests in a portfolio of U.S. and foreign equity securities, debt and money market securities, the combination of which will be varied from time to time with respect to types of securities and markets in response to changing markets and economic trends.

[c] This unmanaged capitalization-weighted index is comprised of 2,602 equities from 35 countries in 4 regions, including the United States.

[d] The Reference Benchmark is an unmanaged weighted index comprised as follows: 36% S&P 500® Index; 24% FTSE World (ex U.S.) Index; 24% ICE BofAML Current 5-Year U.S. Treasury Index; and 16% FTSE Non-U.S. Dollar World Government Bond Index.

Performance Summary for the Period Ended December 31, 2018

		Average Annual Total Returns		
	6-Month Total Returns [b]	*1 Year* [b]	*5 Years* [b]	*10 Years* [b]
Class I[a]	(5.92)%	(7.34)%	2.18%	6.15%
Class II[a]	(5.99)	(7.52)	2.02	5.98
Class III[a]	(6.06)	(7.58)	1.94	5.88
FTSE World Index	(8.72)	(8.77)	4.91	10.13
Reference Benchmark	(4.47)	(4.68)	3.87	7.35
U.S. Stocks: S&P 500® Index[c]	(6.85)	(4.38)	8.49	13.12
Non-U.S. Stocks: FTSE World (ex-U.S.) Index[d]	(10.68)	(13.81)	1.08	7.05
U.S. Bonds: ICE BofAML Current 5-Year U.S. Treasury Index[e]	2.56	1.46	1.42	2.09
Non U.S. Bonds: FTSE Non-U.S. Dollar World Government Bond Index[f]	(0.91)	(1.82)	0.28	1.27

[a] Average annual and cumulative total returns are based on changes in net asset value for the periods shown and assume reinvestment of all distributions at net asset value on the ex-dividend. Insurance-related fees and expenses are not reflected in these returns.

[b] For a portion of the period, the Fund's investment adviser waived a portion of its fees. Without such waiver, the Fund's performance would have been lower.

[c] This unmanaged index covers 500 leading companies and captures approximately 80% coverage of available market capitalization.

[d] This unmanaged capitalization-weighted index is comprised of 1,979 equities from 34 countries, excluding the United States.

[e] This unmanaged index is designed to track the total return of the current coupon five-year U.S. Treasury bond.

[f] This unmanaged market capitalization-weighted index tracks 22 government bond indexes, excluding the United States.

Past performance is not indicative of future results. Performance results do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.

Performance results may include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles.

Expense Example

	Actual				Hypothetical [(a)]					
			Including Dividend Expense and Broker Fees and Expenses on Short Sales	Excluding Dividend Expense and Broker Fees and Expenses on Short Sales		Including Dividend Expense and Broker Fees and Expenses on Short Sales		Excluding Dividend Expense and Broker Fees and Expenses on Short Sales	
	Beginning Account Value (07/01/18)	*Ending Account Value (12/31/18)*	*Expenses Paid During the Period* [(b)]	*Expenses Paid During the Period* [(c)]	*Beginning Account Value (07/01/18)*	*Ending Account Value (12/31/18)*	*Expenses Paid During the Period* [(b)]	*Ending Account Value (12/31/18)*	*Expenses Paid During the Period* [(c)]
Class I	$ 1,000.00	$ 940.80	$ 3.67	$ 3.62	$ 1,000.00	$ 1,021.42	$ 3.82	$ 1,021.48	$ 3.77
Class II	1,000.00	940.10	4.40	4.35	1,000.00	1,020.67	4.58	1,020.72	4.53
Class III	1,000.00	939.40	4.89	4.84	1,000.00	1,020.16	5.09	1,020.21	5.04

(a) Hypothetical 5% annual return before expenses is calculated by prorating the number of days in the most recent fiscal half year divided by 365.

(b) For each class of the Fund, expenses are equal to the annualized expense ratio for the class (0.75% for Class I, 0.90% for Class II and 1.00% for Class III), multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period shown).

(c) For each class of the Fund, expenses are equal to the annualized expense ratio for the class (0.74% for Class I, 0.89% for Class II and 0.99% for Class III), multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period shown).

See "Disclosure of Expenses" on the following page for further information on how expenses were calculated.

Overall Asset Exposure

Portfolio Composition	*Percent of Fund's Net Assets* [(a)] *12/31/2018*	*12/31/2017*	*Reference Benchmark* [(b)] *Percentage*
U.S. Equities	32%	32%	35%
European Equities	9	15	12
Asia Pacific Equities	14	14	10
Other Equities	3	1	3
Total Equities	58	62	60
U.S Dollar Denominated Fixed Income Securities	29	22	24
U.S. Issuers	27	19	—
Non-U.S. Issuers	2	3	—
Non-U.S Dollar Denominated Fixed Income Securities	2	8	16
Total Fixed Income Securities	31	30	40
Commodity-Related Securities	2	4	
Cash & Short-Term Securities	9	4	—

(a) Exposure based on market value and adjusted for the economic value of futures, swaps and options (except with respect to fixed income securities), and convertible bonds.

(b) The Reference Benchmark is an unmanaged weighted index comprised as follows: 36% of the S&P 500 Index®; 24% FTSE World (ex U.S.) Index; 24% ICE BofA Merrill Current 5-Year U.S. Treasury Index; and 16% FTSE Non-U.S. Dollar World Government Bond Index. Descriptions of these indexes are found on page 5 of this report to shareholders in the "Performance Summary" section.

Disclosure of Expenses

Shareholders of the Fund may incur the following charges: (a) transactional expenses; and (b) operating expenses, including investment advisory fees, service and distribution fees, including 12b-1 fees, acquired fund fees and expenses, and other fund expenses. The expense example shown on the previous page (which is based on a hypothetical investment of $1,000 invested on July 1, 2018 and held through December 31, 2018 is intended to assist shareholders both in calculating expenses based on an investment in the Fund and in comparing these expenses with similar costs of investing in other mutual funds.

The expense example provides information about actual account values and actual expenses. In order to estimate the expenses a shareholder paid during the period covered by this report, shareholders can divide their account value by $1,000 and then multiply the result by the number corresponding to their share class under the heading entitled "Expenses Paid During the Period."

The expense example also provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses. In order to assist shareholders in comparing the ongoing expenses of investing in the Fund and other funds, compare the 5% hypothetical example with the 5% hypothetical examples that appear in shareholder reports of other funds.

The expenses shown in the expense example are intended to highlight shareholders' ongoing costs only and do not reflect any transactional expenses, such as sales charges, if any. Therefore, the hypothetical example is useful in comparing ongoing expenses only, and will not help shareholders determine the relative total expenses of owning different funds. If these transactional expenses were included, shareholder expenses would have been higher.

Derivative Financial Instruments

The Fund may invest in various derivative financial instruments. These instruments are used to obtain exposure to a security, commodity, index, market, and/or other assets without owning or taking physical custody of securities, commodities and/or other referenced assets or to manage market, equity, credit, interest rate, foreign currency exchange rate, commodity and/or other risks. Derivative financial instruments may give rise to a form of economic leverage and involve risks, including the imperfect correlation between the value of a derivative financial instrument and the underlying asset, possible default of the counterparty to the transaction or illiquidity of the instrument. The Fund's successful use of a derivative financial instrument depends on the investment adviser's ability to predict pertinent market movements accurately, which cannot be assured. The use of these instruments may result in losses greater than if they had not been used, may limit the amount of appreciation the Fund can realize on an investment and/or may result in lower distributions paid to shareholders. The Fund's investments in these instruments, if any, are discussed in detail in the Notes to Consolidated Financial Statements.

Security	Shares	Value
Common Stocks — 58.2%		
Australia — 0.2%		
AGL Energy Ltd.	80,629	$ 1,170,912
BHP Group Ltd.	10,269	248,213
Coles Group Ltd.[(a)]	11,952	98,832
Newcrest Mining Ltd.	308,906	4,747,599
Quintis HoldCo Pty. Ltd. (Acquired 10/22/18, cost $5,761,227) [(a)(b)(c)(t)]	10,892,000	5,830,553
Rio Tinto Ltd.	7,796	431,477
Stockland	135,455	336,036
Telstra Corp. Ltd.	10,439	20,950
Woolworths Group Ltd.	25,287	524,554
		13,409,126
Belgium — 0.2%		
Anheuser-Busch InBev SA	319,046	21,018,441
Brazil — 0.7%		
Azul SA, ADR[(a)(d)]	1,184,374	32,795,316
Banco do Brasil SA[(a)]	49,947	599,119
Banco Santander Brasil SA	14,265	157,161
Hapvida Participacoes e Investimentos SA[(a)(e)]	1,417,332	11,409,600
Notre Dame Intermedica Participacoes SA[(a)]	2,525,034	18,945,492
Petrobras Distribuidora SA	15,751	104,444
Suzano Papel e Celulose SA	13,612	133,741
TIM Participacoes SA[(a)]	31,551	96,466
		64,241,339
Canada — 1.5%		
Canadian Natural Resources Ltd.	6,822	164,603
Canadian Pacific Railway Ltd.	1,978	350,975
Enbridge, Inc.	1,312,870	40,784,366
Encana Corp.[(d)]	1,583,747	9,154,058
Goldcorp, Inc.	3,819	37,401
Husky Energy, Inc.	41,674	430,721
Imperial Oil Ltd.	17,560	444,917
Manulife Financial Corp.	66,259	940,109
Nutrien Ltd.[(d)]	17,479	820,945
Rogers Communications, Inc., Class B	12,223	626,371
Suncor Energy, Inc.	1,214,878	33,931,510
Teck Resources Ltd., Class B	22,757	489,912
TransCanada Corp.[(d)]	1,107,986	39,565,131
Wheaton Precious Metals Corp.	145,186	2,834,169
		130,575,188
China — 1.5%		
Agile Group Holdings Ltd.	312,000	368,070
Agricultural Bank of China Ltd., Class H	579,000	253,600
Alibaba Group Holding Ltd., ADR[(a)]	144,808	19,848,833
Angang Steel Co. Ltd., Class H	364,000	251,103
Angel Yeast Co. Ltd., Class A	1,053,512	3,885,367
Anhui Conch Cement Co. Ltd., Class H	84,500	408,623
BAIC Motor Corp. Ltd., Class H[(a)(e)]	40,000	21,160
Baidu, Inc., ADR[(a)]	2,600	412,360
Bank of China Ltd., Class H	168,000	72,425
Beijing Capital International Airport Co. Ltd., Class H	4,212,000	4,470,304
Beijing Enterprises Holdings Ltd.	86,000	456,010
China CITIC Bank Corp. Ltd., Class H	687,000	416,794
China Communications Construction Co. Ltd., Class H	22,000	20,742
China Construction Bank Corp., Class H	284,000	232,554
China Mobile Ltd.	104,500	1,011,204
China National Building Material Co. Ltd., Class H	212,000	145,063
China Petroleum & Chemical Corp., Class H	1,658,000	1,181,839
China Resources Beer Holdings Co. Ltd.	84,000	293,680
China Resources Cement Holdings Ltd.	814,000	734,012
China Resources Gas Group Ltd.	84,000	332,856
China Shenhua Energy Co. Ltd., Class H	282,000	615,027

Security	Shares	Value
China (continued)		
CITIC Ltd.	500,000	$ 784,590
CNOOC Ltd.	771,000	1,187,589
Country Garden Holdings Co. Ltd.	190,000	230,718
Country Garden Services Holdings Co. Ltd.[(a)]	147,321	233,245
Dongfeng Motor Group Co. Ltd., Class H	140,000	127,244
Fosun International Ltd.	473,000	689,324
Guangzhou Automobile Group Co. Ltd., Class H	274,400	273,568
Industrial & Commercial Bank of China Ltd., Class H	1,786,000	1,270,310
Jiangsu Expressway Co. Ltd., Class H	64,000	89,332
Jiangsu Yanghe Brewery Joint-Stock Co. Ltd., Class A	252,400	3,496,490
Kweichow Moutai Co. Ltd., Class A	146,300	12,632,424
Luzhou Laojiao Co. Ltd., Class A	638,200	3,788,628
Meituan Dianping, Class B[(d)]	353,916	1,983,587
Momo, Inc., ADR[(a)]	3,583	85,096
New Oriental Education & Technology Group, Inc., ADR[(a)]	6,761	370,570
PetroChina Co. Ltd., Class H	136,000	84,388
Ping An Healthcare and Technology Co. Ltd.[(a)(d)(e)]	2,408,070	8,466,531
Ping An Insurance Group Co. of China Ltd., Class H	12,500	110,275
SINA Corp.[(a)]	14,102	756,431
Sinopec Shanghai Petrochemical Co. Ltd., Class H	1,304,000	570,812
Tencent Holdings Ltd.	1,257,000	50,381,001
Tingyi Cayman Islands Holding Corp.	142,000	190,182
Tsingtao Brewery Co. Ltd., Class H	28,000	113,008
Want Want China Holdings Ltd.	4,399,000	3,077,846
Wuliangye Yibin Co. Ltd., Class A	476,600	3,542,784
Yanzhou Coal Mining Co. Ltd., Class H	232,000	187,372
Yum China Holdings, Inc.	77,498	2,598,508
Zhejiang Expressway Co. Ltd., Class H	308,000	267,203
Zijin Mining Group Co. Ltd., Class H	406,000	153,861
		133,174,543
Czech Republic — 0.0%		
CEZ A/S	162,870	3,882,525
Denmark — 0.1%		
Carlsberg A/S, Class B	13,547	1,441,118
Danske Bank A/S	21,774	432,267
Novo Nordisk A/S, Class B	135,135	6,206,356
		8,079,741
Finland — 0.0%		
Nokia OYJ	144,158	836,855
France — 2.7%		
AXA SA	760,547	16,414,057
Cie de Saint-Gobain	25,367	842,096
Cie Generale des Etablissements Michelin SCA	8,041	791,451
Danone SA	974,113	68,658,039
Dassault Aviation SA	10,457	14,497,140
Eiffage SA	76,232	6,373,547
Engie SA	53,392	767,133
EssilorLuxottica SA	201,986	25,144,376
Eutelsat Communications SA	188,320	3,710,122
Kering SA	3,604	1,688,361
L'Oreal SA	4,126	944,130
Publicis Groupe SA	14,516	828,234
Safran SA	305,947	36,693,756
Sanofi	66,211	5,743,800
Societe Generale SA	40,545	1,285,461
Sodexo SA[(d)]	443,696	45,503,448
TOTAL SA, ADR	14,070	734,173
Unibail-Rodamco-Westfield	81,678	12,639,226
		243,258,550

Security	Shares	Value
Germany — 1.3%		
adidas AG	807	$ 168,654
Allianz SE (Registered)	8,324	1,672,752
Bayer AG (Registered)	556,561	38,708,144
Evonik Industries AG	48,511	1,210,891
Fresenius SE & Co. KGaA	894,308	43,225,590
Knorr-Bremse AG[(a)]	317,212	28,574,096
Muenchener Rueckversicherungs-Gesellschaft AG in Muenchen (Registered)	1,477	322,132
SAP SE	8,485	842,134
Vonovia SE	50,121	2,259,401
		116,983,794
Hong Kong — 0.9%		
CK Asset Holdings Ltd.	18,500	135,357
CK Infrastructure Holdings Ltd.	537,500	4,067,641
CLP Holdings Ltd.	425,000	4,802,881
Hang Lung Properties Ltd.	2,381,000	4,525,626
HKT Trust & HKT Ltd.[(f)]	2,011,000	2,896,907
Hongkong Land Holdings Ltd.	106,400	670,760
I-CABLE Communications Ltd.[(a)]	379,342	5,694
Jardine Matheson Holdings Ltd.	86,400	6,015,924
Link REIT	447,500	4,536,632
Nine Dragons Paper Holdings Ltd.	69,000	63,739
Power Assets Holdings Ltd.	165,500	1,149,795
Sino Land Co. Ltd.	1,338,000	2,292,369
Sun Hung Kai Properties Ltd.	3,113,583	44,435,890
Swire Pacific Ltd., Class A	288,000	3,040,703
WH Group Ltd.[(e)]	1,404,500	1,078,722
Wharf Real Estate Investment Co. Ltd.	440,000	2,631,603
		82,350,243
India — 1.2%		
Coal India Ltd.	1,027,821	3,543,394
HCL Technologies Ltd.	22,307	308,246
Hero MotoCorp Ltd.	72,985	3,243,117
Hindustan Petroleum Corp. Ltd.	173,877	631,805
Housing Development Finance Corp. Ltd.	1,044,829	29,437,316
Infosys Ltd.	37,055	350,108
JSW Steel Ltd.	30,945	135,838
Maruti Suzuki India Ltd.	100,753	10,765,735
Oil & Natural Gas Corp. Ltd.	1,060,999	2,277,610
Reliance Industries Ltd.	2,947,847	47,310,159
State Bank of India[(a)]	2,249,243	9,525,648
Tata Consultancy Services Ltd.	15,000	406,723
		107,935,699
Indonesia — 0.0%		
Bank Central Asia Tbk. PT	1,819,300	3,290,112
Italy — 0.5%		
Enel SpA	3,949,616	22,896,897
Eni SpA	50,864	803,509
RAI Way SpA[(e)]	1,952,885	9,699,640
Snam SpA	1,667,970	7,302,980
Telecom Italia SpA[(a)]	14,163,354	7,840,963
Telecom Italia SpA	705,729	338,483
UniCredit SpA	13,450	152,347
		49,034,819
Japan — 7.7%		
Aeon Co. Ltd.	8,700	170,051
Ajinomoto Co., Inc.	1,893,000	33,636,892
Alfresa Holdings Corp.	103,500	2,638,176
Alps Electric Co. Ltd.	52,632	1,020,555
Asahi Kasei Corp.	1,010,000	10,366,013
Astellas Pharma, Inc.	1,884,665	24,079,668
Canon Marketing Japan, Inc.	91,500	1,630,798

Security	Shares	Value
Japan (continued)		
Daicel Corp.	369,100	$ 3,789,045
Daikin Industries Ltd.	134,800	14,323,235
Daiwa House Industry Co. Ltd.	7,900	251,998
Denso Corp.	930,020	41,169,835
Dowa Holdings Co. Ltd.	52,600	1,574,360
East Japan Railway Co.	549,451	48,522,097
Eisai Co. Ltd.	10,700	828,392
Exedy Corp.	63,400	1,548,652
Fujitsu Ltd.	5,700	355,316
GS Yuasa Corp.	122,800	2,504,399
Hino Motors Ltd.	172,000	1,619,642
Hitachi Chemical Co. Ltd.	135,500	2,038,425
Hitachi Ltd.	52,600	1,394,439
Hoya Corp.	468,974	28,279,152
Japan Airlines Co. Ltd.	1,407,700	49,890,408
Japan Aviation Electronics Industry Ltd.	176,800	2,034,629
JFE Holdings, Inc.	10,600	168,840
Kajima Corp.	17,200	231,049
Kamigumi Co. Ltd.	89,900	1,839,242
KDDI Corp.	136,500	3,261,657
Keyence Corp.	6,700	3,386,487
Kinden Corp.	360,500	5,836,968
Koito Manufacturing Co. Ltd.	533,600	27,530,317
Kuraray Co. Ltd.	136,200	1,915,590
Kyowa Hakko Kirin Co. Ltd.	17,600	332,571
Kyudenko Corp.	48,900	1,853,212
Mabuchi Motor Co. Ltd.	97,600	2,989,774
Maeda Road Construction Co. Ltd.	92,000	1,905,961
Medipal Holdings Corp.	119,400	2,554,467
Mitsubishi Electric Corp.	3,052,400	33,660,636
Mitsubishi Estate Co. Ltd.	168,900	2,657,390
Mitsubishi Heavy Industries Ltd.	18,900	678,177
Mitsubishi Tanabe Pharma Corp.	5,500	79,396
Mitsubishi UFJ Financial Group, Inc.	38,600	189,435
Mitsui & Co. Ltd.	3,300	50,699
Mitsui Fudosan Co. Ltd.	21,500	477,556
Murata Manufacturing Co. Ltd.	228,228	30,753,683
Nexon Co. Ltd.[(a)]	6,600	85,203
Nichias Corp.	103,400	1,763,317
Nippo Corp.[(d)]	85,200	1,630,087
Nippon Telegraph & Telephone Corp.	69,660	2,842,081
Nippon Television Holdings, Inc.	224,900	3,310,922
Nitto Denko Corp.	694,800	34,847,296
NTT Docomo, Inc.	8,100	182,001
Okumura Corp.	109,750	3,197,804
Olympus Corp.	3,800	116,222
Ono Pharmaceutical Co. Ltd.	11,000	224,628
Oracle Corp.	8,400	533,214
Otsuka Holdings Co. Ltd.	5,800	237,013
Panasonic Corp.	61,700	554,277
Rohm Co. Ltd.	269,253	17,185,076
Seino Holdings Co. Ltd.	127,200	1,665,351
Seven & i Holdings Co. Ltd.	46,900	2,038,045
Shimamura Co. Ltd.	19,200	1,470,251
Shin-Etsu Chemical Co. Ltd.	427,834	32,871,698
Shionogi & Co. Ltd.	1,000	57,075
Shiseido Co. Ltd.	12,300	770,324
Sony Corp.	20,000	964,192
Stanley Electric Co. Ltd.	58,500	1,636,512
Subaru Corp.	1,835,864	39,220,252
Sumitomo Chemical Co. Ltd.	135,000	653,766
Suzuken Co. Ltd.	49,300	2,510,486
Suzuki Motor Corp.	884,089	44,568,201
Sysmex Corp.	6,800	322,939

Security	Shares	Value
Japan (continued)		
Taisei Corp.	3,300	$ 141,334
Toagosei Co. Ltd.	285,300	3,144,407
Toda Corp.	459,796	2,865,453
Tokyo Gas Co. Ltd.	1,279,114	32,351,555
Tokyo Steel Manufacturing Co. Ltd.	472,100	3,823,972
Toray Industries, Inc.	2,119,500	14,985,116
Toshiba Corp.[a]	31,900	900,758
Toyota Industries Corp.	500,377	23,042,288
TV Asahi Holdings Corp.	163,600	2,945,522
Ube Industries Ltd.	745,034	15,067,084
Unicharm Corp.	13,700	443,085
Yamato Kogyo Co. Ltd.	69,500	1,624,406
		692,812,497
Macau — 0.0%		
Galaxy Entertainment Group Ltd.	40,000	252,666
Sands China Ltd.	10,400	45,355
		298,021
Malaysia — 0.0%		
Malaysia Airports Holdings Bhd.	765,900	1,551,458
Mexico — 0.0%		
America Movil SAB de CV	540,174	384,548
Cemex SAB de CV[a]	365,750	176,810
Grupo Financiero Banorte SAB de CV, Class O	7,061	34,468
		595,826
Netherlands — 2.3%		
ABN AMRO Group NV, CVA[e]	669,321	15,750,365
ASML Holding NV	985	154,310
Koninklijke Ahold Delhaize NV	21,564	544,754
Koninklijke Philips NV	2,101,737	73,685,844
NXP Semiconductors NV[a]	12,263	898,633
Royal Dutch Shell plc, Class A	2,612,877	77,013,297
Royal Dutch Shell plc, Class B	31,058	928,556
Royal Dutch Shell plc, ADR, Class A[d]	578,766	33,724,695
		202,700,454
Norway — 0.0%		
Equinor ASA	10,092	214,073
Peru — 0.0%		
Southern Copper Corp.	2,236	68,802
Poland — 0.0%		
Polski Koncern Naftowy ORLEN SA	5,059	146,578
Polskie Gornictwo Naftowe i Gazownictwo SA[a]	56,756	104,940
		251,518
Portugal — 0.1%		
Jeronimo Martins SGPS SA	169,406	2,007,547
NOS SGPS SA	1,251,221	7,587,327
		9,594,874
Singapore — 0.6%		
CapitaLand Ltd.	17,236,450	39,306,504
ComfortDelGro Corp. Ltd.	1,958,200	3,093,065
Genting Singapore Ltd.	1,154,900	826,699
Singapore Telecommunications Ltd.	1,583,500	3,408,064
United Overseas Bank Ltd.	155,300	2,809,375
		49,443,707
South Africa — 0.0%		
Anglo American plc[d]	18,395	411,325
Aspen Pharmacare Holdings Ltd.	26,347	246,548
Kumba Iron Ore Ltd.	1,348	26,510
MTN Group Ltd.	20,215	124,954

Security	Shares	Value
South Africa (continued)		
Naspers Ltd., Class N	213	$ 42,646
Old Mutual Ltd.	297,290	461,914
		1,313,897
South Korea — 0.7%		
Coway Co. Ltd.	41,486	2,755,075
Doosan Bobcat, Inc.[a]	281,238	7,962,473
E-MART, Inc.	2,366	386,392
Hana Financial Group, Inc.	20,713	673,645
Industrial Bank of Korea	33,232	418,526
KB Financial Group, Inc.	8,102	337,990
KT&G Corp.	287,987	26,220,237
LG Chem Ltd.[d]	14,168	4,416,434
LG Electronics, Inc.	904	50,690
Lotte Chemical Corp.	130	32,322
NCSoft Corp.	6,948	2,912,396
POSCO	19,030	4,162,465
Samsung Electro-Mechanics Co. Ltd.[a]	250	23,305
Samsung Electronics Co. Ltd.	38,336	1,334,542
Samsung SDS Co. Ltd.	1,464	267,926
Shinhan Financial Group Co. Ltd.	33,538	1,189,127
SK Innovation Co. Ltd.	301	48,315
SK Telecom Co. Ltd.	16,085	3,880,986
S-Oil Corp.	30,950	2,699,642
Woori Bank	28,424	397,478
		60,169,966
Spain — 0.4%		
Banco Bilbao Vizcaya Argentaria SA	236,647	1,257,026
Cellnex Telecom SA[d][e]	1,192,892	30,506,419
		31,763,445
Sweden — 0.0%		
Sandvik AB	33,984	486,932
Telefonaktiebolaget LM Ericsson, Class B	104,967	929,164
		1,416,096
Switzerland — 0.9%		
Nestle SA (Registered)	989,245	80,289,881
Roche Holding AG	4,666	1,158,376
Swiss Re AG	7,597	698,926
		82,147,183
Taiwan — 0.9%		
Cathay Financial Holding Co. Ltd.	2,638,000	4,038,332
Cheng Shin Rubber Industry Co. Ltd.	1,241,323	1,651,147
Chunghwa Telecom Co. Ltd.	5,979,000	21,830,313
Far EasTone Telecommunications Co. Ltd.[a]	3,621,000	8,994,439
Formosa Chemicals & Fibre Corp.	848,000	2,901,044
Formosa Petrochemical Corp.[a]	673,000	2,388,156
Formosa Plastics Corp.	948,000	3,116,069
Fubon Financial Holding Co. Ltd.	3,150,000	4,833,035
Globalwafers Co. Ltd.	12,000	110,010
Hon Hai Precision Industry Co. Ltd.[a]	1,551,960	3,571,738
MediaTek, Inc.	29,000	215,832
Nan Ya Plastics Corp.	1,190,000	2,926,621
Nanya Technology Corp.	240,000	429,796
Taiwan Cooperative Financial Holding Co. Ltd.	1,260	724
Taiwan Mobile Co. Ltd.	2,890,000	10,008,347
Taiwan Semiconductor Manufacturing Co. Ltd.	780,000	5,663,762
Uni-President Enterprises Corp.	1,948,000	4,419,345
Yageo Corp.	20,000	207,157
		77,305,867
Thailand — 0.2%		
Advanced Info Service PCL	799,000	4,237,084
Intouch Holdings PCL, Class F	2,181,800	3,199,702

Security	Shares	Value
Thailand (continued)		
PTT Global Chemical PCL	1,830,300	$ 4,010,362
Siam Cement PCL (The)	269,800	3,614,357
Thai Oil PCL	1,225,700	2,491,075
		17,552,580
Turkey — 0.0%		
Eregli Demir ve Celik Fabrikalari TAS	11,156	15,167
Turk Hava Yollari AO[(a)]	103,169	313,111
Turkiye Is Bankasi A/S, Class C	81,630	69,667
		397,945
United Arab Emirates — 0.4%		
NMC Health plc	981,513	34,256,024
United Kingdom — 1.6%		
Barclays plc	316,146	604,873
Berkeley Group Holdings plc	69,594	3,086,710
Experian plc	11,133	269,885
GlaxoSmithKline plc	77,085	1,469,088
GW Pharmaceuticals plc, ADR[(a)]	36,528	3,557,462
HSBC Holdings plc	3,975,986	32,800,840
Kingfisher plc	7,803,669	20,518,124
Liberty Global plc, Class A[(a)]	810,731	17,301,000
Liberty Global plc, Class C[(a)]	27,493	567,455
National Grid plc	152,644	1,493,366
SSE plc	30,324	418,762
Vodafone Group plc	32,500,668	63,190,727
		145,278,292
United States — 31.6%		
Abbott Laboratories	33,139	2,396,944
AbbVie, Inc.	33,533	3,091,407
Accenture plc, Class A	10,921	1,539,970
Adobe, Inc.[(a)]	9,568	2,164,664
AES Corp.	43,311	626,277
Agilent Technologies, Inc.	8,090	545,751
Air Products & Chemicals, Inc.	388,787	62,225,359
Allergan plc	6,167	824,281
Alliance Data Systems Corp.	2,297	344,734
Ally Financial, Inc.	17,290	391,791
Alphabet, Inc., Class A[(a)]	1,502	1,569,530
Alphabet, Inc., Class C[(a)]	130,677	135,330,408
Altria Group, Inc.	985,488	48,673,252
Amazon.com, Inc.[(a)]	56,968	85,564,227
American Airlines Group, Inc.	13,079	419,967
American International Group, Inc.	3,076	121,225
American Tower Corp.	14,871	2,352,443
Ameriprise Financial, Inc.	14,662	1,530,273
Amgen, Inc.	15,826	3,080,847
Anadarko Petroleum Corp.	842,234	36,923,539
Anthem, Inc.	326,348	85,708,775
Apple, Inc.	826,962	130,444,986
AT&T, Inc.	272,086	7,765,334
Autodesk, Inc.[(a)]	2,713	348,919
Automatic Data Processing, Inc.	3,666	480,686
Bank of America Corp.	1,372,772	33,825,102
Bank of New York Mellon Corp. (The)	16,137	759,569
Baxter International, Inc.	34,662	2,281,453
Berkshire Hathaway, Inc., Class B[(a)]	27,697	5,655,173
Biogen, Inc.[(a)]	72,482	21,811,283
Boeing Co. (The)	9,485	3,058,912
Booking Holdings, Inc.[(a)]	541	931,829
Bristol-Myers Squibb Co.	31,922	1,659,306
Capital One Financial Corp.	7,404	559,668
Carnival Corp.	2,075	102,297
Caterpillar, Inc.	11,476	1,458,255
Celgene Corp.[(a)]	6,272	401,972

Security	Shares	Value
United States (continued)		
CenterPoint Energy, Inc.	17,534	$ 494,985
CH Robinson Worldwide, Inc.	31,095	2,614,779
Charles Schwab Corp. (The)[(d)]	889,469	36,939,648
Charter Communications, Inc., Class A[(a)]	261,305	74,464,086
Chevron Corp.[(d)]	18,010	1,959,308
Chubb Ltd.[(d)]	204,285	26,389,536
Cisco Systems, Inc.	67,226	2,912,903
Citigroup, Inc.	512,311	26,670,911
Cloudera, Inc.[(a)]	1,544,221	17,079,084
Cognizant Technology Solutions Corp., Class A	17,390	1,103,917
Colgate-Palmolive Co.	903,618	53,783,343
Comcast Corp., Class A[(g)]	2,966,304	101,002,651
Conagra Brands, Inc.	14,298	305,405
ConocoPhillips	5,195	323,908
Constellation Brands, Inc., Class A	2,559	411,538
Corning, Inc.	36,476	1,101,940
Costco Wholesale Corp.	4,329	881,861
CSX Corp.	34,485	2,142,553
Cummins, Inc.	3,297	440,611
CVS Health Corp.	991,955	64,992,892
DaVita, Inc.[(a)]	431,016	22,180,083
Dell Technologies, Inc., Class C[(a)(d)]	2,771	135,435
Delta Air Lines, Inc.	16,862	841,414
Discover Financial Services	12,050	710,709
Dollar General Corp.	7,815	844,645
Dollar Tree, Inc.[(a)]	429,968	38,834,710
Domo, Inc., Class B[(a)]	338,616	6,647,032
Domo, Inc., Class B (Acquired 04/01/15-04/12/17, cost $469,893)[(a)(b)]	186,575	3,662,468
Dover Corp.	299,517	21,250,731
DowDuPont, Inc.	747,408	39,971,380
Dropbox, Inc., Class A[(a)(d)]	1,315,525	26,876,184
DXC Technology Co.	10,334	549,459
Eaton Corp. plc	18,843	1,293,760
eBay, Inc.[(a)]	32,762	919,629
Edgewell Personal Care Co.[(a)(d)]	372,817	13,924,715
Edwards Lifesciences Corp.[(a)]	3,979	609,463
Eli Lilly & Co.	3,568	412,889
Equity Residential	235,435	15,541,064
Exelon Corp.	23,104	1,041,990
Expedia Group, Inc.	6,789	764,781
Exxon Mobil Corp.	1,215,123	82,859,237
Facebook, Inc., Class A[(a)]	428,834	56,215,849
Fieldwood Energy, Inc.[(a)(c)]	86,636	3,292,168
Fifth Third Bancorp	35,313	830,915
FleetCor Technologies, Inc.[(a)]	209,148	38,842,967
Fortune Brands Home & Security, Inc.	46,274	1,757,949
General Electric Co.	86,401	654,056
General Motors Co.	20,255	677,530
Gilead Sciences, Inc.	668,904	41,839,945
Global Payments, Inc.	17,244	1,778,374
Goldman Sachs Group, Inc. (The)	11,779	1,967,682
Halfmoon Parent, Inc.	3,860	733,169
Hartford Financial Services Group, Inc. (The)	54,479	2,421,592
HCA Healthcare, Inc.	195,351	24,311,432
Helmerich & Payne, Inc.	12,474	598,004
Hewlett Packard Enterprise Co.	61,075	806,801
Home Depot, Inc. (The)	13,033	2,239,330
HP, Inc.	29,010	593,545
Humana, Inc.	2,537	726,800
Huntsman Corp.	22,829	440,371
Illumina, Inc.[(a)]	3,628	1,088,146
Intel Corp.	77,217	3,623,794
International Business Machines Corp.	15,803	1,796,327
Intuit, Inc.	12,666	2,493,302

Security	Shares	Value
United States (continued)		
Intuitive Surgical, Inc.[(a)]	1,263	$ 604,876
Jawbone Health Hub, Inc. (Acquired 01/24/17, cost $0)[(a)(b)(c)]	333,860	3
Johnson & Johnson	897,176	115,780,563
JPMorgan Chase & Co.	327,142	31,935,602
Kinder Morgan, Inc.	10,738	165,150
KLA-Tencor Corp.	7,957	712,072
Kohl's Corp.	10,684	708,777
Kroger Co. (The)	28,609	786,747
Las Vegas Sands Corp.	18,383	956,835
Lear Corp.	3,543	435,293
Liberty Broadband Corp., Class A[(a)]	62,817	4,510,889
Liberty Broadband Corp., Class C[(a)]	260,865	18,790,106
Liberty Media Corp.-Liberty SiriusXM, Class A[(a)]	217,656	8,009,741
Liberty Media Corp.-Liberty SiriusXM, Class C[(a)]	364,715	13,487,160
Lookout, Inc. (Acquired 03/04/15, cost $936,169)[(a)(b)(c)]	81,954	1,639
Lowe's Cos., Inc.	53,526	4,943,661
Marathon Petroleum Corp.	474,145	27,979,296
Marsh & McLennan Cos., Inc.[(d)]	725,753	57,878,802
Masco Corp.	157,330	4,600,329
Mastercard, Inc., Class A	18,623	3,513,229
McDonald's Corp.	7,643	1,357,167
McKesson Corp.	7,367	813,832
Medtronic plc	34,739	3,159,859
Merck & Co., Inc.	71,080	5,431,223
MetLife, Inc.	31,510	1,293,801
MGM Resorts International[(d)]	714,549	17,334,959
Micron Technology, Inc.[(a)]	32,625	1,035,191
Microsoft Corp.	1,275,282	129,530,393
Mondelez International, Inc., Class A	67,856	2,716,276
Morgan Stanley	928,860	36,829,299
Newmont Mining Corp.[(d)]	753,832	26,120,279
NextEra Energy Partners LP[(d)]	325,461	14,011,096
NextEra Energy, Inc.	419,509	72,919,054
NIKE, Inc., Class B	9,276	687,723
Norfolk Southern Corp.	6,531	976,646
Northrop Grumman Corp.	1,905	466,534
NRG Energy, Inc.	17,859	707,216
Occidental Petroleum Corp.	15,113	927,636
Omnicom Group, Inc.[(d)]	45,898	3,361,570
Oracle Corp.	227,710	10,281,106
Packaging Corp. of America	8,294	692,217
Paychex, Inc.	14,944	973,602
PayPal Holdings, Inc.[(a)]	7,629	641,523
PepsiCo, Inc.	39,164	4,326,839
Pfizer, Inc.	1,780,495	77,718,607
PG&E Corp.[(a)]	18,133	430,659
Philip Morris International, Inc.	474,406	31,671,345
Phillips 66	24,720	2,129,628
Procter & Gamble Co. (The)	426,285	39,184,117
Prudential Financial, Inc.	7,906	644,734
Pure Storage, Inc., Class A[(a)(d)]	783,496	12,598,616
PVH Corp.	6,054	562,719
QUALCOMM, Inc.	553,482	31,498,661
Raytheon Co.	117,669	18,044,541
Red Hat, Inc.[(a)]	4,965	872,053
Reinsurance Group of America, Inc.	7,045	987,920
Rockwell Automation, Inc.	9,358	1,408,192
Ross Stores, Inc.	10,315	858,208
Royal Caribbean Cruises Ltd.	6,579	643,360
Schlumberger Ltd.	213,583	7,706,075
Sempra Energy[(d)]	176,103	19,052,584
Sprint Corp.[(a)]	4,037	23,495
St Joe Co. (The)[(a)]	131,390	1,730,406
Starbucks Corp.	469,083	$ 30,208,945
State Street Corp.	5,738	361,896
Stryker Corp.	19,293	3,024,178
SunTrust Banks, Inc.	529,288	26,697,287
Symantec Corp.	3,221	60,861
Sysco Corp.	8,769	549,466
Target Corp.	9,307	615,100
Tenet Healthcare Corp.[(a)]	186,990	3,205,009
Thermo Fisher Scientific, Inc.	14,365	3,214,743
Travelers Cos., Inc. (The)	30,751	3,682,432
Union Pacific Corp.	5,679	785,008
United Continental Holdings, Inc.[(a)]	371,668	31,119,762
United Technologies Corp.	264,696	28,184,830
UnitedHealth Group, Inc.	41,147	10,250,541
US Bancorp	19,827	906,094
Valero Energy Corp.	22,830	1,711,565
VeriSign, Inc.[(a)]	7,945	1,178,164
Verizon Communications, Inc.	606,991	34,125,034
VF Corp.	3,803	271,306
Visa, Inc., Class A	31,217	4,118,771
Vistra Energy Corp.[(a)]	188,730	4,320,030
VMware, Inc., Class A[(a)]	6,555	898,887
Vornado Realty Trust	12,685	786,851
Walgreens Boots Alliance, Inc.	1,769	120,876
Walmart, Inc.	24,880	2,317,572
Walt Disney Co. (The)	9,984	1,094,746
Waste Management, Inc.	4,694	417,719
Wells Fargo & Co.	1,628,658	75,048,561
Western Digital Corp.	634,141	23,444,193
Weyerhaeuser Co.	33,432	730,824
Williams Cos., Inc. (The)[(d)]	3,245,222	71,557,145
Wyndham Destinations, Inc.	17,042	610,785
Xcel Energy, Inc.	9,486	467,375
Yum! Brands, Inc.	14,451	1,328,336
Zoetis, Inc.	8,789	751,811
Zynga, Inc., Class A[(a)]	4,748,402	18,661,220
		2,839,577,747
Total Common Stocks — 58.2% (Cost: $5,417,381,989)		5,226,781,247

Security		Par (000)	Value
Corporate Bonds — 4.7%			
Australia — 0.4%			
Quintis Australia Pty. Ltd.[(c)(e)(h)(t)]:			
7.50% (7.50% Cash or 8.00% PIK), 10/01/26	USD	17,908	17,625,011
12.00% (0.00% Cash or 0.00% PIK), 10/01/28	USD	21,237	21,236,520
			38,861,531
Belgium — 0.1%			
Anheuser-Busch InBev Worldwide, Inc.:			
3.50%, 01/12/24	USD	4,114	4,024,091
4.00%, 04/13/28	USD	6,778	6,483,384
			10,507,475
Chile — 0.0%			
Inversiones Alsacia SA, 8.00%, 12/31/18[(a)(e)(i)]	USD	7,767	155,734
China — 0.1%			
Baidu, Inc., 4.38%, 05/14/24	USD	5,410	5,443,878
China Milk Products Group Ltd., 0.00%, 01/05/12[(a)(i)(j)(k)]	USD	4,800	48,000
			5,491,878

Security		Par (000)	Value
France — 0.1%			
Danone SA, 2.59%, 11/02/23[e]	USD	7,310	$ 6,949,544
Germany — 0.1%			
Bayer Capital Corp. BV, 5.63%, 11/22/19[e][j]	EUR	14,600	12,792,031
India — 0.0%			
REI Agro Ltd.[a][c][i][j]:			
5.50%, 11/13/14[e]	USD	6,148	1
5.50%, 11/13/14	USD	2,291	—
			1
Italy — 0.1%			
Telecom Italia SpA, 5.30%, 05/30/24[e]	USD	4,066	3,862,700
Japan — 0.3%			
Sumitomo Mitsui Financial Group, Inc., 3.94%, 10/16/23	USD	21,106	21,477,029
Takeda Pharmaceutical Co. Ltd., 3.80%, 11/26/20[e]	USD	5,065	5,095,555
			26,572,584
Luxembourg — 0.0%			
Intelsat Jackson Holdings SA, 8.00%, 02/15/24[e]	USD	1,933	1,990,990
Netherlands — 0.1%			
Cooperatieve Rabobank UA, 3.95%, 11/09/22	USD	1,986	1,979,521
ING Groep NV, 4.10%, 10/02/23	USD	9,865	9,859,007
			11,838,528
Singapore — 0.1%			
CapitaLand Ltd., 1.95%, 10/17/23[e][j]	SGD	7,250	5,151,907
Switzerland — 0.1%			
UBS Group Funding Switzerland AG, 4.13%, 09/24/25[e]	USD	4,688	4,670,666
Turkey — 0.0%			
Bio City Development Co. BV, 8.00%, 07/06/20[a][c][e][i][j]	USD	21,400	3,317,000
United Kingdom — 0.1%			
HSBC Holdings plc, (LIBOR USD 3 Month + 1.06%), 3.26%, 03/13/23[l]	USD	6,852	6,705,761
United States — 3.1%			
Allergan Funding SCS, 3.45%, 03/15/22	USD	6,517	6,413,006
Allergan Sales LLC, 5.00%, 12/15/21[e]	USD	3,225	3,318,200
American Express Co., 3.70%, 08/03/23	USD	14,692	14,734,484
Apple, Inc.:			
3.35%, 02/09/27	USD	11,988	11,681,001
3.20%, 05/11/27	USD	11,520	11,117,711
AT&T, Inc., 3.60%, 02/17/23	USD	14,312	14,223,312
AvalonBay Communities, Inc., 3.50%, 11/15/24	USD	1,436	1,427,398
Bank of America Corp.:			
(LIBOR USD 3 Month + 0.66%), 2.37%, 07/21/21[l]	USD	2,995	2,941,403
3.30%, 01/11/23	USD	6,864	6,760,073
4.00%, 01/22/25	USD	3,669	3,574,142
Becton Dickinson and Co.:			
3.13%, 11/08/21	USD	6,655	6,563,539
2.89%, 06/06/22	USD	5,486	5,313,301
3.36%, 06/06/24	USD	2,924	2,808,435
BP Capital Markets America, Inc., 3.79%, 02/06/24	USD	5,775	5,837,309
Capital One Financial Corp.:			
3.20%, 01/30/23	USD	4,939	4,806,245
3.30%, 10/30/24	USD	2,159	2,041,867

Security		Par (000)	Value
United States (continued)			
Citigroup, Inc., 2.45%, 01/10/20	USD	6,616	$ 6,562,871
Comcast Corp.:			
3.45%, 10/01/21	USD	5,479	5,534,552
2.75%, 03/01/23	USD	6,879	6,695,142
3.70%, 04/15/24	USD	13,595	13,677,996
CVS Health Corp., 3.70%, 03/09/23	USD	21,094	20,868,191
DowDuPont, Inc., 3.77%, 11/15/20	USD	5,445	5,497,202
eBay, Inc., 2.75%, 01/30/23	USD	3,683	3,540,799
Edgewell Personal Care Co.:			
4.70%, 05/19/21	USD	3,352	3,301,720
4.70%, 05/24/22	USD	3,367	3,240,738
Enterprise Products Operating LLC:			
3.35%, 03/15/23	USD	3,673	3,622,827
3.90%, 02/15/24	USD	2,154	2,172,253
Gilead Sciences, Inc., 3.25%, 09/01/22	USD	6,868	6,851,855
Goldman Sachs Group, Inc. (The), (LIBOR USD 3 Month + 1.05%), 2.91%, 06/05/23[l]	USD	6,866	6,591,292
Halfmoon Parent, Inc.[e]:			
3.40%, 09/17/21	USD	9,310	9,288,824
3.75%, 07/15/23	USD	7,927	7,900,603
Hughes Satellite Systems Corp., 7.63%, 06/15/21	USD	1,213	1,258,488
Northrop Grumman Corp., 2.55%, 10/15/22	USD	6,863	6,641,002
Philip Morris International, Inc.:			
2.50%, 11/02/22	USD	1,324	1,272,499
3.60%, 11/15/23	USD	2,753	2,759,314
QUALCOMM, Inc.:			
2.60%, 01/30/23	USD	3,457	3,326,751
2.90%, 05/20/24	USD	4,117	3,920,195
Sempra Energy, 2.88%, 10/01/22	USD	1,932	1,863,276
Sherwin-Williams Co. (The), 2.25%, 05/15/20	USD	1,289	1,269,265
Simon Property Group LP, 2.75%, 06/01/23	USD	2,747	2,661,962
Starbucks Corp., 3.10%, 03/01/23	USD	6,881	6,777,460
UnitedHealth Group, Inc.:			
3.50%, 06/15/23	USD	6,857	6,916,122
3.50%, 02/15/24	USD	4,175	4,201,721
Verizon Communications, Inc., 3.13%, 03/16/22	USD	7,144	7,096,379
Walgreen Co., 3.10%, 09/15/22	USD	7,007	6,835,340
Wells Fargo & Co., 3.07%, 01/24/23	USD	1,431	1,393,685
Wells Fargo Bank NA, 3.55%, 08/14/23	USD	9,002	8,963,939
Williams Cos., Inc. (The), 3.70%, 01/15/23	USD	3,457	3,372,339
			279,438,028
Total Corporate Bonds — 4.7% (Cost: $464,883,361)			418,306,358

Floating Rate Loan Interests — 0.2%[m]

Security		Par (000)	Value
United States — 0.2%			
Fieldwood Energy LLC, 2nd Lien Term Loan, (LIBOR USD 1 Month + 7.25%), 9.77%, 04/11/23	USD	2,958	2,570,864
Fieldwood Energy LLC, Term Loan, (LIBOR USD 1 Month + 5.25%), 7.77%, 04/11/22	USD	2,191	2,042,140
Hilton Worldwide Finance LLC, 1st Lien Term Loan B2, (LIBOR USD 1 Month + 1.75%), 4.26%, 10/25/23	USD	11,442	11,013,301
			15,626,305
Total Floating Rate Loan Interests — 0.2% (Cost: $14,489,682)			15,626,305

Security		Par (000)	Value
Foreign Government Obligations — 2.8%			
Argentina — 0.8%			
Republic of Argentina:			
3.38%, 01/15/23	EUR	8,170	$ 7,418,416
6.88%, 01/26/27	USD	28,817	21,900,920
5.88%, 01/11/28	USD	41,668	29,844,705
5.25%, 01/15/28	EUR	1,282	1,053,901
7.82%, 12/31/33	EUR	16,600	15,871,442
			76,089,384
Australia — 0.2%			
Commonwealth of Australia, 3.00%, 03/21/47	AUD	29,274	21,332,955
Canada — 0.2%			
Canadian Government Bond, 0.75%, 03/01/21	CAD	22,991	16,443,314
Germany — 0.9%			
Federal Republic of Germany, 0.50%, 02/15/28	EUR	65,186	76,872,495
Mexico — 0.7%			
United Mexican States:			
6.50%, 06/10/21	MXN	6,562	31,854,750
8.00%, 12/07/23	MXN	6,274	31,144,439
			62,999,189
Total Foreign Government Obligations — 2.8% (Cost: $277,482,283)			253,737,337

Security	Shares	Value
Investment Companies — 1.3%		
iShares Gold Trust[(a)(n)(t)]	5,628,395	69,172,974
SPDR Gold Shares[(a)(g)(n)]	297,007	36,012,099
VanEck Vectors Gold Miners ETF[(d)]	520,099	10,968,888
Total Investment Companies — 1.3% (Cost: $120,982,118)		116,153,961

Preferred Securities — 2.4%

Security		Par (000)	Value
Capital Trusts — 1.0%			
Netherlands — 0.0%			
ING Groep NV, 6.00%[(m)(o)]	USD	3,377	3,280,418
United Kingdom — 0.4%[(m)(o)]			
HSBC Holdings plc, 6.37%	USD	13,297	12,366,210
Lloyds Bank plc, 13.00%	GBP	7,484	15,313,566
			27,679,776
United States — 0.6%			
American Express Co., Series C, 4.90%[(m)(o)]	USD	4,528	4,335,560
Citigroup, Inc.[(m)(o)]:			
Series O, 5.87%	USD	15,431	14,890,915
Series Q, 5.95%	USD	6,252	6,033,180
Goldman Sachs Group, Inc. (The), Series M, 5.38%[(m)(o)]	USD	7,289	7,043,142
Morgan Stanley, Series H, 5.45%[(m)(o)]	USD	5,144	5,003,157
NBCUniversal Enterprise, Inc., 5.25%[(e)(o)]	USD	5,270	5,335,875
Prudential Financial, Inc.[(m)]:			
5.63%, 06/15/43	USD	2,604	2,550,175
5.87%, 09/15/42	USD	3,919	3,958,190
USB Capital IX, 3.50%[(m)(o)]	USD	1,901	1,406,740
			50,556,934
Total Capital Trusts — 1.0% (Cost: $84,674,126)			81,517,128

Security	Shares	Value
Preferred Stocks — 1.0%		
Brazil — 0.0%		
Braskem SA (Preference), 0.00%	8,921	$ 109,057
Itau Unibanco Holding SA (Preference), 0.00%	519,866	4,761,717
Petroleo Brasileiro SA (Preference), 0.00%[(a)]	17,036	99,691
		4,970,465
South Korea — 0.0%		
Samsung Electronics Co. Ltd. (Preference), 0.00%[(a)]	21,974	627,878
United States — 1.0%		
Grand Rounds, Inc., Series C (Acquired 03/31/15, cost $5,939,231), 0.00%[(a)(b)(c)]	2,139,107	5,240,812
Grand Rounds, Inc., Series D (Acquired 05/01/18, cost $3,180,966), 0.00%[(a)(b)(c)]	1,312,469	3,176,175
Lookout, Inc., Series F (Acquired 09/19/14-10/22/14, cost $10,936,522), 0.00%[(a)(b)(c)]	957,404	5,782,720
Palantir Technologies, Inc., Series I (Acquired 02/11/14, cost $11,447,321), 0.00%[(a)(b)(c)]	1,867,426	10,102,775
Uber Technologies, Inc., Series D (Acquired 06/06/14, cost $17,574,548), 0.00%[(a)(b)(c)]	1,132,888	50,945,973
Wells Fargo & Co., Series L, 7.50%[(j)(o)]	2,965	3,741,741
Welltower, Inc., Series I, 6.50%[(d)(j)(o)]	125,874	7,948,943
		86,939,139
Total Preferred Stocks — 1.0% (Cost: $63,624,365)		92,537,482
Trust Preferreds — 0.4%		
China — 0.2%		
Mandatory Exchangeable Trust, 5.75%, 06/01/19[(e)(j)]	138,193	21,327,326
United States — 0.2%[(m)]		
Citigroup Capital XIII, 8.89%, 10/30/40	319,725	8,450,332
GMAC Capital Trust I, Series 2, 8.40%, 02/15/40	351,212	8,903,224
		17,353,556
Total Trust Preferreds — 0.4% (Cost: $30,358,349)		38,680,882
Total Preferred Securities — 2.4% (Cost: $178,656,840)		212,735,492

Security		Par (000)	Value
U.S. Treasury Obligations — 22.6%			
U.S. Treasury Inflation Linked Notes, 0.63%, 04/15/23	USD	74,231	72,997,361
U.S. Treasury Notes:			
1.50%, 11/30/19[(n)]	USD	22,253	22,023,120
2.75%, 08/31/23	USD	221,786	224,272,834
2.88%, 09/30/23 - 11/30/25	USD	775,424	788,364,077
2.88%, 10/31/23[(p)]	USD	614,853	625,084,637
3.00%, 10/31/25[(p)]	USD	289,851	297,357,176
Total U.S. Treasury Obligations — 22.6% (Cost: $1,987,445,134)			2,030,099,205
Total Long-Term Investments — 92.2% (Cost: $8,461,321,407)			8,273,439,905

Short-Term Securities — 10.1%

Security		Par (000)	Value
Foreign Government Obligations — 2.0%[q]			
Japan — 2.0%			
Japan Treasury Bills:			
(0.32)%, 01/28/19	JPY	5,673,500	$ 51,768,636
(0.34)%, 02/04/19	JPY	5,669,100	51,730,247
(0.25)%, 03/04/19	JPY	5,857,950	53,460,067
(0.16)%, 03/25/19	JPY	2,495,950	22,780,312
			179,739,262
Total Foreign Government Obligations — 2.0% (Cost: $175,441,056)			179,739,262
		Shares	
Money Market Funds — 2.6%[r][t]			
BlackRock Liquidity Funds, T-Fund, Institutional Class, 2.32%	USD	22,471,516	22,471,516
SL Liquidity Series, LLC, Money Market Series, 2.57%[s]		209,527,510	209,506,557
Total Money Market Funds — 2.6% (Cost: $231,985,653)			231,978,073
Time Deposits — 0.0%			
Canada — 0.0%			
Royal Bank Of Canada, 0.84%, 01/02/19	CAD	322	236,037
Europe — 0.0%			
Citibank NA, (0.57)%, 01/02/19	EUR	1,309	1,499,576
Hong Kong — 0.0%			
Brown Brothers Harriman & Co., 1.52%, 01/02/19	HKD	107	13,615
United Kingdom — 0.0%			
Brown Brothers Harriman & Co., 0.37%, 01/02/19	GBP	12	15,203
United States — 0.0%			
JPMorgan Chase & Co., 2.42%, 01/02/19	USD	39	38,774
Total Time Deposits — 0.0% (Cost: $1,803,205)			1,803,205
		Par (000)	
U.S. Treasury Obligations — 5.5%			
U.S. Treasury Bills:[q]			
2.20%, 01/08/19	USD	108,000	107,959,545
2.23%, 01/03/19	USD	8,000	7,999,500
2.25%, 01/02/19	USD	18,000	18,000,000
2.30%, 01/15/19	USD	178,000	177,853,848
2.32%, 01/22/19	USD	125,250	125,089,958
2.33%, 02/05/19	USD	60,000	59,864,496
Total U.S. Treasury Obligations — 5.5% (Cost: $496,738,136)			496,767,347
Total Short-Term Securities — 10.1% (Cost: $905,968,050)			910,287,887
Total Options Purchased — 0.2% (Cost: $49,554,079)			21,948,987
Total Investments Before Options Written and Investments Sold Short — 102.5% (Cost: $9,416,843,536)			9,205,676,779
Total Options Written — (0.7)% (Premiums Received — $44,813,654)			(69,631,015)

Investments Sold Short — (0.2)%

Security	Shares	Value
Common Stocks — (0.2)%		
France — (0.1)%		
Pernod Ricard SA	30,757	$ (5,047,857)
Japan — (0.1)%		
SUMCO Corp.	502,000	(5,590,773)
Yaskawa Electric Corp.	244,800	(5,983,933)
		(11,574,706)
United States — 0.0%		
LyondellBasell Industries NV, Class A	37,873	(3,149,519)
Total Common Stocks — (0.2)% (Proceeds: $25,194,044)		(19,772,082)
Total Investments Sold Short — (0.2)% (Proceeds: $25,194,044)		(19,772,082)
Total Investments Net of Options Written and Investments Sold Short — 101.6% (Cost: $9,346,835,838)		9,116,273,682
Liabilities in Excess of Other Assets — (1.6)%		(141,162,241)
Net Assets — 100.0%		$8,975,111,441

(a) Non-income producing security.
(b) Restricted security as to resale, excluding 144A securities. The Fund held restricted securities with a current value of $84,743,118, representing 0.94% of its net assets as of period end, and an original cost of $79,372,879.
(c) Security is valued using significant unobservable inputs and is classified as Level 3 in the fair value hierarchy.
(d) Security, or a portion of the security, is on loan.
(e) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933, as amended. These securities may be resold in transactions exempt from registration to qualified institutional investors.
(f) A security contractually bound to one or more other securities to form a single saleable unit which cannot be sold separately.
(g) All or a portion of the security has been pledged and/or segregated as collateral in connection with outstanding exchange-traded options written.
(h) Payment-in-kind security which may pay interest/dividends in additional par/shares and/or in cash. Rates shown are the current rate and possible payment rates.
(i) Issuer filed for bankruptcy and/or is in default.
(j) Convertible security.
(k) Zero-coupon bond.
(l) Variable rate security. Security may be issued at a fixed coupon rate, which converts to a variable rate at a specified date. Rate shown is the rate in effect as of period end.
(m) Variable rate security. Rate shown is the rate in effect as of period end.
(n) All or a portion of the security is held by a wholly-owned subsidiary. See Note 1 of the Notes to Consolidated Financial Statements for details on the wholly-owned subsidiary.
(o) Perpetual security with no stated maturity date.
(p) All or a portion of the security has been pledged in connection with outstanding centrally cleared swaps.
(q) Rates are discount rates or a range of discount rates as of period end.
(r) Annualized 7-day yield as of period end.
(s) Security was purchased with the cash collateral from loaned securities.

(t) During the year ended December 31, 2018, investments in issuers considered to be affiliates of the Fund for purposes of Section 2(a)(3) of the Investment Company Act of 1940, as amended, and /or related parties of the fund were as follows:

Affiliated Persons and/or Related Parties	*Shares Held at 12/31/17*	*Shares Purchased*	*Shares Sold*	*Shares Held at 12/31/18*	*Value at 12/31/18*	*Income*	*Net Realized Gain (Loss)* [(a)]	*Change in Unrealized (Depreciation)*
BlackRock Liquidity Funds, T-Fund, Institutional Class	10,574,106	11,897,410[(b)]	—	22,471,516	$ 22,471,516	$ 183,739	$ 20	$ —
SL Liquidity Series, LLC, Money Market Series	235,838,442	—	(26,310,932)[(c)]	209,527,510	209,506,557	1,088,546[(d)]	24,463	7,113
iShares Gold Trust	2,098,037	3,530,358	—	5,628,395	69,172,974	—	—	(2,635,865)
Quintis Australia Pty. Ltd. 12.00% 10/01/28	—	21,236,520	—	21,236,520	21,236,520	—	—	(2,196,211)
Quintis Australia Pty. Ltd. 7.50% 10/01/26	—	17,907,552	—	17,907,552	17,625,011	—	—	(251,901)
Quintis HoldCo Pty. Ltd.	—	10,892,000	—	10,892,000	5,830,553	—	—	69,326
					$345,843,131	$1,272,285	$ 24,483	$ (5,007,538)

(a) Includes net capital gain distributions, if applicable.
(b) Represents net shares purchased.
(c) Represents net shares sold.
(d) Represents securities lending income earned from the reinvestment of cash collateral from loaned securities, net of fees and collateral investment expenses, and other payments to and from borrowers of securities.

Derivative Financial Instruments Outstanding as of Period End

Futures Contracts

Description	*Number of Contracts*	*Expiration Date*	*Notional Amount (000)*	*Value/ Unrealized Appreciation (Depreciation)*
Short Contracts				
Yen Denominated Nikkei 225 Index	164	03/07/19	14,824	$ 761,684
EURO STOXX 50 Index	5,362	03/15/19	182,708	5,122,115
NASDAQ 100 E-mini Index	178	03/15/19	22,546	529,817
S&P 500 E-Mini Index	227	03/15/19	28,434	(38,040)
Canada 10 Year Bond	765	03/20/19	76,640	(929,678)
				$ 5,445,898

Forward Foreign Currency Exchange Contracts

Currency Purchased		*Currency Sold*		*Counterparty*	*Settlement Date*	*Unrealized Appreciation (Depreciation)*
JPY	820,000	USD	7,426	UBS AG	01/04/19	$ 57
JPY	25,196,807	USD	228,224	UBS AG	01/07/19	1,748
JPY	5,271,036,592	USD	47,468,000	JPMorgan Chase Bank NA	01/25/19	711,335
USD	15,682,692	AUD	22,171,000	JPMorgan Chase Bank NA	01/25/19	59,161
JPY	5,253,071,000	USD	47,033,441	Citibank NA	01/31/19	1,004,443
JPY	8,022,490,000	USD	71,353,200	JPMorgan Chase Bank NA	02/14/19	2,086,054
EUR	20,772,000	USD	23,732,394	Goldman Sachs International	02/15/19	154,796
EUR	20,569,000	USD	23,405,212	Morgan Stanley & Co. International plc	02/28/19	272,510
JPY	3,200,699,453	USD	28,338,000	Morgan Stanley & Co. International plc	03/07/19	1,008,583
EUR	20,243,000	USD	23,024,864	Morgan Stanley & Co. International plc	03/14/19	305,732
SEK	421,527,639	EUR	40,783,000	Goldman Sachs International	03/21/19	824,983
						6,429,402
GBP	32,502,000	USD	42,430,584	JPMorgan Chase Bank NA	01/11/19	(987,165)
EUR	20,625,000	USD	23,701,654	Morgan Stanley & Co. International plc	01/25/19	(24,769)
USD	51,186,127	JPY	5,673,500,000	Morgan Stanley & Co. International plc	01/28/19	(684,170)
NOK	155,980,000	USD	18,819,263	JPMorgan Chase Bank NA	02/01/19	(753,945)
USD	50,680,858	JPY	5,669,100,000	Goldman Sachs International	02/04/19	(1,177,251)
GBP	36,838,000	USD	48,222,592	JPMorgan Chase Bank NA	02/15/19	(1,167,194)
USD	23,883,966	EUR	20,772,000	Morgan Stanley & Co. International plc	02/15/19	(3,224)
GBP	19,207,000	USD	25,144,260	JPMorgan Chase Bank NA	02/21/19	(603,394)
USD	23,606,424	EUR	20,569,000	Deutsche Bank AG	02/28/19	(71,298)
USD	26,050,532	BRL	101,558,000	Deutsche Bank AG	03/01/19	(40,977)
USD	52,565,295	JPY	5,857,950,000	Goldman Sachs International	03/04/19	(1,129,706)
USD	23,212,278	EUR	20,243,000	Morgan Stanley & Co. International plc	03/14/19	(118,319)
ZAR	403,941,000	USD	28,202,918	Bank of America NA	03/14/19	(363,332)
USD	22,680,999	JPY	2,495,950,000	JPMorgan Chase Bank NA	03/25/19	(243,219)
						(7,367,963)
Net Unrealized Depreciation						$ (938,561)

OTC Options Purchased

Description	Counterparty	Number of Contracts	Expiration Date	Exercise Price	Notional Amount (000)	Value
Call						
Chevron Corp.	UBS AG	275,840	01/18/19	USD 125.00	USD 30,009	$ 9,654
Exxon Mobil Corp.	UBS AG	187,537	01/18/19	USD 95.00	USD 12,788	2,813
Schlumberger Ltd.	UBS AG	271,460	01/18/19	USD 90.00	USD 9,794	1,357
SPDR Gold Shares[(a)]	JPMorgan Chase Bank NA	146,449	02/15/19	USD 120.00	USD 17,757	418,112
TOPIX Index	Morgan Stanley & Co. International plc	1,994,050	03/08/19	JPY 1,785.00	JPY 2,979,290	15,108
KOSPI 200 Index	Goldman Sachs International	125	03/14/19	USD 302.50	USD 256	22,898
Russell 2000 Index	Bank of America NA	27,781	03/15/19	USD 1,700.00	USD 37,464	7,640
SPDR Gold Shares[(a)]	Societe Generale SA	261,876	03/15/19	USD 121.00	USD 31,752	831,323
SPDR Gold Shares[(a)]	Societe Generale SA	274,300	04/18/19	USD 123.00	USD 33,259	836,615
GBP Currency	UBS AG	—	05/15/19	USD 1.32	GBP 145,768	3,447,545
SPDR Gold Shares[(a)]	Morgan Stanley & Co. International plc	148,146	05/17/19	USD 120.00	USD 17,963	629,355
BP plc	UBS AG	886,818	06/21/19	USD 52.00	USD 33,628	75,371
ConocoPhillips Co.	UBS AG	463,986	06/21/19	USD 75.00	USD 28,930	577,663
Occidental Petroleum Corp.	UBS AG	412,376	06/21/19	USD 92.50	USD 25,312	83,077
Royal Dutch Shell plc	UBS AG	506,206	06/21/19	USD 77.00	USD 29,497	81,003
SPDR Gold Shares[(a)]	Societe Generale SA	261,876	06/21/19	USD 124.00	USD 31,752	1,063,267
Suncor Energy, Inc.	UBS AG	598,975	06/21/19	USD 45.00	USD 16,753	14,974
Facebook, Inc.	UBS AG	286,382	09/20/19	USD 165.00	USD 37,542	1,595,477
TOTAL SA	UBS AG	619,803	09/20/19	USD 70.00	USD 32,341	79,360
TOPIX Banks Index	Bank of America NA	6,922,824	12/13/19	JPY 191.28	JPY 1,015,786	93,669
TOPIX Banks Index	Morgan Stanley & Co. International plc	13,094,289	12/13/19	JPY 191.28	JPY 1,921,325	177,167
Alphabet, Inc.	JPMorgan Chase Bank NA	16,662	01/17/20	USD 1,225.00	USD 17,255	962,698
Anadarko Petroleum Corp.	Credit Suisse International	175,142	01/17/20	USD 67.50	USD 7,678	278,476
BP plc	Nomura International plc	802,900	01/17/20	USD 43.50	USD 30,446	1,254,804
CVS Health Corp.	JPMorgan Chase Bank NA	123,179	01/17/20	USD 78.50	USD 8,071	456,466
Halliburton Co.	Citibank NA	339,940	01/17/20	USD 50.00	USD 9,036	57,790
Johnson & Johnson	Bank of America NA	124,966	01/17/20	USD 155.00	USD 16,127	323,037
JPMorgan Chase & Co.	Citibank NA	123,264	01/17/20	USD 114.50	USD 12,033	410,261
Schlumberger Ltd.	UBS AG	281,709	01/17/20	USD 70.00	USD 10,164	33,805
Sumitomo Mitsui Financial Group, Inc.	Morgan Stanley & Co. International plc	360,617	03/13/20	JPY 4,756.33	JPY 1,314,449	148,633
TOPIX Banks Index	BNP Paribas SA	9,345,369	03/13/20	JPY 194.04	JPY 1,371,246	151,515
TOPIX Banks Index	Morgan Stanley & Co. International plc	8,316,020	04/10/20	JPY 192.04	JPY 1,220,210	155,991
Sumitomo Mitsui Financial Group, Inc.	Morgan Stanley & Co. International plc	291,273	09/11/20	JPY 4,816.24	JPY 1,061,690	153,972
Sumitomo Mitsui Financial Group, Inc.	Morgan Stanley & Co. International plc	291,267	12/11/20	JPY 4,894.87	JPY 1,061,668	153,169
EURO STOXX Bank Index	Barclays Bank plc	162,397	03/19/21	EUR 136.97	EUR 48,904	161,783
EURO STOXX Bank Index	UBS AG	167,445	06/18/21	EUR 134.92	EUR 50,424	171,715
						14,937,563
Put						
S&P 500 Index	Barclays Bank plc	3,651	01/18/19	USD 2,350.00	USD 9,153	48,741
S&P 500 Index	Barclays Bank plc	4,413	01/18/19	USD 2,400.00	USD 11,063	88,481
S&P 500 Index	Barclays Bank plc	34,477	01/18/19	USD 2,700.00	USD 86,429	6,633,375
S&P 500 Index	Barclays Bank plc	3,660	01/31/19	USD 2,400.00	USD 9,175	114,192
						6,884,789
						$21,822,352

(a) All or a portion of the security is held by a wholly-owned subsidiary. See Note 1 of the Notes to Consolidated Financial Statements for details on the wholly-owned subsidiary.

OTC Interest Rate Swaptions Purchased

	Paid by the Fund		Received by the Fund						
Description	Rate	Frequency	Rate	Frequency	Counterparty	Expiration Date	Exercise Rate	Notional Amount (000)	Value
Put									
5-Year Interest Rate Swap	3.00%	Semi-Annual	3 month LIBOR	Quarterly	Nomura International plc	03/04/19	3.00%	USD 292,589	$126,635

Exchange-Traded Options Written

Description	Number of Contracts	Expiration Date	Exercise Price	Notional Amount (000)	Value
Call					
Adobe, Inc.	8	01/18/19	USD 260.00	USD 181	$ (372)
Intuit, Inc.	8	01/18/19	USD 220.00	USD 157	(220)
McDonald's Corp.	44	01/18/19	USD 185.00	USD 781	(3,872)
VeriSign, Inc.	16	01/18/19	USD 170.00	USD 237	(624)
Amazon.com, Inc.	81	02/15/19	USD 1,790.00	USD 12,166	(124,335)
Amazon.com, Inc.	81	02/15/19	USD 1,800.00	USD 12,166	(112,185)
Amazon.com, Inc.	81	02/15/19	USD 1,780.00	USD 12,166	(140,130)
					$(381,738)

OTC Options Written

Description	Counterparty	Number of Contracts	Expiration Date	Exercise Price	Notional Amount (000)	Value
Call						
Apple, Inc.	Barclays Bank plc	69,668	01/18/19	USD 160.00	USD 10,989	$ (294,347)
Microsoft Corp.	Barclays Bank plc	123,473	01/18/19	USD 90.00	USD 12,541	(1,487,850)
United Continental Holdings, Inc.	Deutsche Bank AG	90,361	01/18/19	USD 75.00	USD 7,566	(831,321)
TOPIX Index	Morgan Stanley & Co. International plc	1,994,050	03/08/19	JPY 1,950.00	JPY 2,979,290	(3,639)
KOSPI 200 Index	Goldman Sachs International	125	03/14/19	USD 327.50	USD 256	(1,639)
ConocoPhillips Co.	UBS AG	463,986	06/21/19	USD 85.00	USD 28,930	(106,717)
TOTAL SA	UBS AG	619,803	09/20/19	USD 75.00	USD 32,341	(118,444)
TOPIX Banks Index	Bank of America NA	6,922,824	12/13/19	JPY 221.29	JPY 1,015,786	(26,746)
TOPIX Banks Index	Morgan Stanley & Co. International plc	13,094,289	12/13/19	JPY 221.29	JPY 1,921,325	(50,598)
Alphabet, Inc.	JPMorgan Chase Bank NA	16,662	01/17/20	USD 1,350.00	USD 17,255	(488,068)
Anadarko Petroleum Corp.	Credit Suisse International	175,142	01/17/20	USD 76.00	USD 7,678	(150,277)
Comcast Corp.	Citibank NA	306,484	01/17/20	USD 37.50	USD 10,436	(729,432)
CVS Health Corp.	JPMorgan Chase Bank NA	123,179	01/17/20	USD 87.50	USD 8,071	(183,537)
Facebook, Inc.	UBS AG	669,867	01/17/20	USD 220.00	USD 87,813	(887,574)
Johnson & Johnson	Bank of America NA	124,966	01/17/20	USD 170.00	USD 16,127	(110,595)
JPMorgan Chase & Co.	Citibank NA	123,264	01/17/20	USD 125.50	USD 12,033	(182,454)
Sumitomo Mitsui Financial Group, Inc.	Morgan Stanley & Co. International plc	360,617	03/13/20	JPY 5,679.90	JPY 1,314,449	(37,766)
TOPIX Banks Index	BNP Paribas SA	9,345,369	03/13/20	JPY 237.47	JPY 1,371,246	(33,128)
TOPIX Banks Index	Morgan Stanley & Co. International plc	8,316,020	04/10/20	JPY 233.87	JPY 1,220,210	(37,028)
						(5,761,160)
Put						
S&P 500 Index	Barclays Bank plc	3,651	01/18/19	USD 2,200.00	USD 9,153	(12,596)
S&P 500 Index	Barclays Bank plc	4,413	01/18/19	USD 2,250.00	USD 11,063	(24,271)
S&P 500 Index	Barclays Bank plc	3,660	01/31/19	USD 2,250.00	USD 9,175	(38,796)
TOPIX Index	Morgan Stanley & Co. International plc	1,994,050	03/08/19	JPY 1,600.00	JPY 2,979,290	(2,283,229)
KOSPI 200 Index	Goldman Sachs International	125	03/14/19	USD 270.00	USD 256	(1,717,209)
S&P 500 Index	Bank of America NA	14,617	03/15/19	USD 2,600.00	USD 36,643	(2,067,575)
SPDR Gold Shares[(a)]	Morgan Stanley & Co. International plc	74,073	05/17/19	USD 113.00	USD 8,981	(19,499)
TOPIX Banks Index	Bank of America NA	6,922,824	12/13/19	JPY 156.59	JPY 1,015,786	(1,397,969)
TOPIX Banks Index	Morgan Stanley & Co. International plc	13,094,289	12/13/19	JPY 156.59	JPY 1,921,325	(2,644,011)
Alphabet, Inc.	JPMorgan Chase Bank NA	16,662	01/17/20	USD 860.00	USD 17,255	(755,622)
Anadarko Petroleum Corp.	Credit Suisse International	175,142	01/17/20	USD 46.00	USD 7,678	(1,527,895)
BP plc	Nomura International plc	802,900	01/17/20	USD 28.00	USD 30,446	(863,117)
CVS Health Corp.	JPMorgan Chase Bank NA	123,179	01/17/20	USD 56.00	USD 8,071	(485,785)
Facebook, Inc.	UBS AG	669,867	01/17/20	USD 155.00	USD 87,813	(20,581,664)
Halliburton Co.	Citibank NA	339,940	01/17/20	USD 35.00	USD 9,036	(3,246,427)
Johnson & Johnson	Bank of America NA	124,966	01/17/20	USD 109.00	USD 16,127	(576,091)
JPMorgan Chase & Co.	Citibank NA	123,264	01/17/20	USD 87.25	USD 12,033	(775,954)
Schlumberger Ltd.	UBS AG	281,709	01/17/20	USD 52.50	USD 10,164	(4,943,993)
Sumitomo Mitsui Financial Group, Inc.	Morgan Stanley & Co. International plc	360,617	03/13/20	JPY 3,832.77	JPY 1,314,449	(1,768,609)
TOPIX Banks Index	BNP Paribas SA	9,345,369	03/13/20	JPY 155.80	JPY 1,371,246	(2,024,026)
TOPIX Banks Index	Morgan Stanley & Co. International plc	8,316,020	04/10/20	JPY 157.82	JPY 1,220,210	(1,956,302)
Sumitomo Mitsui Financial Group, Inc.	Morgan Stanley & Co. International plc	194,182	09/11/20	JPY 3,820.96	JPY 707,793	(1,197,331)
Sumitomo Mitsui Financial Group, Inc.	Morgan Stanley & Co. International plc	194,178	12/11/20	JPY 3,786.60	JPY 707,779	(1,155,278)
EURO STOXX Bank Index	Barclays Bank plc	108,265	03/19/21	EUR 110.23	EUR 32,603	(4,424,188)
EURO STOXX Bank Index	UBS AG	110,158	06/18/21	EUR 106.38	EUR 33,173	(4,422,605)
						(60,910,042)
						$(66,671,202)

(a) All or a portion of the security is held by a wholly-owned subsidiary. See Note 1 of the Notes to Consolidated Financial Statements for details on the wholly-owned subsidiary.

OTC Interest Rate Swaptions Written

	Paid by the Fund		Received by the Fund						
Description	*Rate*	*Frequency*	*Rate*	*Frequency*	*Counterparty*	*Expiration Date*	*Exercise Rate*	*Notional Amount (000)*	*Value*
Call									
5-Year Interest Rate Swap	3 month LIBOR	Quarterly	2.70%	Semi-Annual	Nomura International plc	03/04/19	2.70%	USD 292,589	$(2,578,075)

Centrally Cleared Credit Default Swaps — Buy Protection

Reference Obligation/Index	*Financing Rate Paid by the Fund*	*Payment Frequency*	*Termination Date*	*Notional Amount (000)*	*Value*	*Upfront Premium Paid (Received)*	*Unrealized Appreciation (Depreciation)*
CDX.NA.HY.30.V1	5.00%	Quarterly	06/20/23	USD 6,607	$(214,019)	$ (428,074)	$ 214,055

Centrally Cleared Interest Rate Swaps

Paid by the Fund		Received by the Fund							
Rate	*Frequency*	*Rate*	*Frequency*	*Effective Date*	*Termination Date*	*Notional Amount (000)*	*Value*	*Upfront Premium Paid (Received)*	*Unrealized Appreciation (Depreciation)*
3 month LIBOR	Quarterly	2.97%	Semi-Annual	07/20/20[(a)]	07/18/25	USD 317,049	$ 5,433,869	$ —	$ 5,433,869
0.84%	Annual	6 month EURIBOR	Semi-Annual	N/A	02/15/28	EUR 34,348	(633,712)	—	(633,712)
0.84%	Annual	6 month EURIBOR	Semi-Annual	N/A	02/15/28	EUR 37,591	(694,362)	—	(694,362)
3 month LIBOR	Quarterly	3.20%	Semi-Annual	N/A	10/29/28	USD 248,165	10,988,976	—	10,988,976
0.99%	Annual	6 month EURIBOR	Semi-Annual	N/A	10/29/28	EUR 196,586	(4,682,054)	—	(4,682,054)
2.99%	Semi-Annual	3 month LIBOR	Quarterly	07/20/20[(a)]	07/18/50	USD 71,247	(1,718,255)	—	(1,718,255)
							$ 8,694,462	$ —	$ 8,694,462

(a) Forward Swaps.

OTC Total Return Swaps

Reference Entity	*Fixed Amount Paid / (Received) by the Fund*[(a)]	*Counterparty*	*Termination Date*	*Notional Amount (000)*	*Value*	*Upfront Premium Paid (Received)*	*Unrealized Appreciation (Depreciation)*
EURO STOXX Banks Net Return Index	EUR (14,281,341)	BNP Paribas SA	04/30/19	EUR 14,281	$1,520,142	$ —	$ 1,520,142
S&P 500 Index Annual Dividend Future December 2020	USD 2,914,481	Goldman Sachs International	12/18/20	USD 2,914	517,894	—	517,894
Nikkei Dividend Future December 2020	JPY 384,120,000	BNP Paribas SA	04/01/21	JPY 384,120	406,460	—	406,460
Nikkei Dividend Future December 2020	JPY 143,310,000	BNP Paribas SA	04/01/21	JPY 143,310	35,674	—	35,674
Nikkei Dividend Future December 2020	JPY 191,375,000	BNP Paribas SA	04/01/21	JPY 191,375	229,232	—	229,232
S&P 500 Index Annual Dividend Future December 2021	USD 3,726,213	BNP Paribas SA	12/17/21	USD 3,726	640,862	—	640,862
Nikkei Dividend Future December 2021	JPY 144,840,000	BNP Paribas SA	04/01/22	JPY 144,840	25,127	—	25,127
Nikkei Dividend Future December 2021	JPY 199,250,000	BNP Paribas SA	04/01/22	JPY 199,250	162,401	—	162,401
Nikkei Dividend Future December 2021	JPY 389,070,000	BNP Paribas SA	04/01/22	JPY 389,070	371,233	—	371,233
Nikkei Dividend Future December 2021	JPY 198,750,000	BNP Paribas SA	04/01/22	JPY 198,750	166,963	—	166,963
					$4,075,988	$ —	$ 4,075,988

(a) At termination, the fixed amount paid (received) will be exchanged for the total return of the reference entity.

OTC Total Return Swaps [(a)]

Reference Entity	Counterparty	Expiration Date	Net Notional Amount	Unrealized Appreciation (Depreciation)	Net Value of Reference Entities	Gross Notional Amount Net Asset Percentage
Equity Securities Long/Short	Citibank NA	02/24/23 - 02/27/23	$(17,068,123)	$ (544,715)[(b)]	$(17,644,584)	0.2%
	JP Morgan Chase Bank NA	02/08/23	(22,487,970)	845,999[(c)]	(21,693,899)	0.3
				$ 301,284	$(39,338,483)	

(a) The Fund receives or pays the total return on a portfolio of long and short positions underlying the total return swap. In addition, the Fund pays or receives a variable rate of interest, based on a specified benchmark, plus or minus a spread in a range of 18-245 basis points. The benchmark and spread are determined based upon the country and/or currency of the individual underlying positions. The following are the specified benchmarks used in determining the variable rate of interest:

Intercontinental Exchange LIBOR USD 1 Month
United States Overnight Bank Funding Rate

(b) Amount includes $31,746 of net dividends and financing fees.

(c) Amount includes $51,928 of net dividends and financing fees.

The following reference rates, and their values as of period end, are used for security descriptions:

Reference Index		Reference rate
3 month LIBOR	London Interbank Offered Rate	2.81%
6 month EURIBOR	Euro Interbank Offered Rate	(0.24%)

Balances Reported in the Consolidated Statement of Assets and Liabilities for Centrally Cleared Swaps, OTC Swaps and Options Written

	Swap Premiums Paid	Swap Premiums Received	Unrealized Appreciation	Unrealized Depreciation	Value
Centrally Cleared Swaps[(a)]	$ —	$ (428,074)	$ 16,636,900	$ (7,728,383)	$ —
OTC Swaps	—	—	4,921,987	(544,715)	—
Options Written	N/A	N/A	16,014,973	(40,832,334)	(69,631,015)

(a) Includes cumulative appreciation (depreciation) on centrally cleared swaps, as reported in the Consolidated Schedule of Investments. Only current day's variation margin is reported within the Consolidated Statement of Assets and Liabilities and is net of any previously paid (received) swap premium amounts.

Derivative Financial Instruments Categorized by Risk Exposure

As of period end, the fair values of derivative financial instruments located in the Consolidated Statement of Assets and Liabilities were as follows:

	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Currency Exchange Contracts	Interest Rate Contracts	Other Contracts	Total
Assets — Derivative Financial Instruments							
Futures contracts							
Net unrealized appreciation[(a)]	$ —	$ —	$ 6,413,616	$ —	$ —	$ —	$ 6,413,616
Forward foreign currency exchange contracts							
Unrealized appreciation on forward foreign currency exchange contracts	—	—	—	6,429,402	—	—	6,429,402
Options purchased							
Investments at value — unaffiliated[(b)]	—	—	18,374,807	3,447,545	126,635	—	21,948,987
Swaps — centrally cleared							
Net unrealized appreciation[(a)]	—	214,055	—	—	16,422,845	—	16,636,900
Swaps — OTC							
Unrealized appreciation on OTC swaps; Swap premiums paid	—	—	4,921,987	—	—	—	4,921,987
	$ —	$214,055	$29,710,410	$9,876,947	$16,549,480	$ —	$56,350,892

	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Currency Exchange Contracts	Interest Rate Contracts	Other Contracts	Total
Liabilities — Derivative Financial Instruments							
Futures contracts							
Net unrealized depreciation[a]	$ —	$ —	$ 38,040	$ —	$ 929,678	$ —	$ 967,718
Forward foreign currency exchange contracts							
Unrealized depreciation on forward foreign currency exchange contracts	—	—	—	7,367,963	—	—	7,367,963
Options written							
Options written, at value	—	—	67,052,940	—	2,578,075	—	69,631,015
Swaps — centrally cleared							
Net unrealized depreciation[a]	—	—	—	—	7,728,383	—	7,728,383
Swaps — OTC							
Unrealized depreciation on OTC swaps; Swap premiums received	—	—	544,715	—	—	—	544,715
	$ —	$ —	$67,635,695	$7,367,963	$11,236,136	$ —	$86,239,794

[a] Includes cumulative appreciation (depreciation) on futures contracts and centrally cleared swaps, if any, as reported in the Consolidated Schedule of Investments. Only current day's variation margin is reported within the Consolidated Statement of Assets and Liabilities.
[b] Includes options purchased at value as reported in the Consolidated Schedule of Investments.

For the year ended December 31, 2018, the effect of derivative financial instruments in the Consolidated Statement of Operations were as follows:

	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Currency Exchange Contracts	Interest Rate Contracts	Other Contracts	Total
Net Realized Gain (Loss) from:							
Futures contracts	$ —	$ —	$ (1,357,682)	$ —	$ —	$ —	$ (1,357,682)
Forward foreign currency exchange contracts	—	—	—	(13,975,279)	—	—	(13,975,279)
Options purchased[a]	—	—	10,272,037	(10,696,472)	(5,726,882)	—	(6,151,317)
Options written	—	—	11,728,438	4,490,388	(4,657,759)	—	11,561,067
Swaps	—	(1,679,419)	21,568,296	2,860,184	(14,191,105)	—	8,557,956
	$ —	$(1,679,419)	$ 42,211,089	$(17,321,179)	$(24,575,746)	$ —	$ (1,365,255)
Net Change in Unrealized Appreciation (Depreciation) on:							
Futures contracts	$ —	$ —	$ 6,766,587	$ —	$ (929,678)	$ —	$ 5,836,909
Forward foreign currency exchange contracts	—	—	—	(7,735,636)	—	—	(7,735,636)
Options purchased[b]	—	—	(34,577,381)	(4,078,197)	4,538,590	—	(34,116,988)
Options written	—	—	(29,091,987)	(2,426,159)	(5,124,751)	—	(36,642,897)
Swaps	—	1,498,941	(18,642,390)	—	70,952	—	(17,072,497)
	$ —	$ 1,498,941	$(75,545,171)	$(14,239,992)	$ (1,444,887)	$ —	$(89,731,109)

[a] Options purchased are included in net realized gain (loss) from investments — unaffiliated.
[b] Options purchased are included in net change in unrealized appreciation (depreciation) on investments — unaffiliated.

Average Quarterly Balances of Outstanding Derivative Financial Instruments

Futures contracts:	
Average notional value of contracts — long	$ 17,060,306
Average notional value of contracts — short	$ 220,282,053
Forward foreign currency exchange contracts:	
Average amounts purchased — in USD	$ 336,811,782
Average amounts sold — in USD	$ 537,280,549
Options:	
Average value of option contracts purchased	$ 27,921,728
Average value of option contracts written	$ 44,397,518
Average notional value of swaption contracts purchased	$1,199,406,863
Average notional value of swaption contracts written	$ 759,110,351
Credit default swaps:	
Average notional value — buy protection	$ 6,175,952
Interest rate swaps:	
Average notional value — pays fixed rate	$ 467,934,385
Average notional value — receives fixed rate	$ 491,718,746
Currency swaps:	
Average notional value — pays	$ 47,643,700
Average notional value — receives	$ 50,793,381
Total return swaps:	
Average notional value	$ 66,127,226

For more information about the Fund's investment risks regarding derivative financial instruments, refer to the Notes to Consolidated Financial Statements.

Derivative Financial Instruments — Offsetting as of Period End

The Fund's derivative assets and liabilities (by type) were as follows:

	Assets	*Liabilities*
Derivative Financial Instruments:		
Futures contracts	$ 192,609	$ 3,737,779
Forward foreign currency exchange contracts	6,429,402	7,367,963
Options[(a)]	21,948,987	69,631,015
Swaps — Centrally cleared	1,135,739	—
Swaps — OTC[(b)]	4,921,987	544,715
Total derivative assets and liabilities in the Consolidated Statement of Assets and Liabilities	$34,628,724	$81,281,472
Derivatives not subject to a Master Netting Agreement or similar agreement ("MNA")	(1,328,348)	(4,119,517)
Total derivative assets and liabilities subject to an MNA	$33,300,376	$77,161,955

(a) Includes options purchased at value which is included in Investments at value – unaffiliated in the Consolidated Statement of Assets and Liabilities and reported in the Consolidated Schedule of Investments.
(b) Includes unrealized appreciation (depreciation) on OTC swaps and swap premiums (paid/received) in the Consolidated Statement of Assets and Liabilities.

The following tables present the Fund's derivative assets and liabilities by counterparty net of amounts available for offset under an MNA and net of the related collateral received and pledged by the Fund:

Counterparty	*Derivative Assets Subject to an MNA by Counterparty*	*Derivatives Available for Offset* [(a)]	*Non-cash Collateral Received* [(b)]	*Cash Collateral Received* [(b)]	*Net Amount of Derivative Assets* [(c)(f)]
Bank of America NA	$ 424,346	$ (424,346)	$ —	$ —	$ —
Barclays Bank plc	7,046,572	(6,282,048)	(764,524)	—	—
BNP Paribas SA	3,709,609	(2,057,154)	—	(1,652,455)	—
Citibank NA	1,472,494	(1,472,494)	—	—	—
Credit Suisse International	278,476	(278,476)	—	—	—
Goldman Sachs International	1,520,571	(1,520,571)	—	—	—
JPMorgan Chase Bank NA	5,121,713	(5,121,713)	—	—	—
JPMorgan Chase Bank NA[(g)]	418,112	—	—	—	418,112
Morgan Stanley & Co. International plc	2,390,865	(2,390,865)	—	—	—
Morgan Stanley & Co. International plc[(g)]	629,355	(19,499)	—	(470,000)	139,856
Nomura International plc	1,381,439	(1,381,439)	—	—	—
Societe Generale SA[(g)]	2,731,205	—	—	(2,390,000)	341,205
UBS AG	6,175,619	(6,175,619)	—	—	—
	$ 33,300,376	$(27,124,224)	$ (764,524)	$(4,512,455)	$ 899,173

Counterparty	*Derivative Liabilities Subject to an MNA by Counterparty*	*Derivatives Available for Offset* [(a)]	*Non-cash Collateral Pledged* [(d)]	*Cash Collateral Pledged*	*Net Amount of Derivative Liabilities* [(e)(f)]
Bank of America NA	$ 4,542,308	$ (424,346)	$ (4,117,962)	$ —	$ —
Barclays Bank plc	6,282,048	(6,282,048)	—	—	—
BNP Paribas SA	2,057,154	(2,057,154)	—	—	—
Citibank NA	5,478,982	(1,472,494)	(4,006,488)	—	—
Credit Suisse International	1,678,172	(278,476)	(1,375,800)	—	23,896
Deutsche Bank AG	943,596	—	(789,107)	—	154,489
Goldman Sachs International	4,025,805	(1,520,571)	(1,301,832)	—	1,203,402
JPMorgan Chase Bank NA	5,667,929	(5,121,713)	—	—	546,216
Morgan Stanley & Co. International plc	11,964,273	(2,390,865)	(9,573,408)	—	—
Morgan Stanley & Co. International plc[(g)]	19,499	(19,499)	—	—	—
Nomura International plc	3,441,192	(1,381,439)	(1,254,493)	—	805,260
UBS AG	31,060,997	(6,175,619)	(24,543,876)	—	341,502
	$ 77,161,955	$(27,124,224)	$(46,962,966)	$ —	$ 3,074,765

(a) The amount of derivatives available for offset is limited to the amount of derivative assets and/or liabilities that are subject to an MNA.
(b) Excess of collateral received from the individual counterparty is not shown for financial reporting purposes.
(c) Net amount represents the net amount receivable from the counterparty in the event of default.
(d) Excess of collateral pledged to the individual counterparty is not shown for financial reporting purposes.
(e) Net amount represents the net amount payable due to the counterparty in the event of default.
(f) Net amount may also include forward foreign currency exchange contracts that are not required to be collateralized.
(g) Represents derivatives owned by the BlackRock Cayman Global Allocation V.I. Fund I, Ltd., a wholly-owed subsidiary of the Fund. See Note 1.

Fair Value Hierarchy as of Period End

Various inputs are used in determining the fair value of investments and derivative financial instruments. For information about the Fund's policy regarding valuation of investments and derivative financial instruments, refer to the Notes to Consolidated Financial Statements.

The following tables summarize the Fund's investments and derivative financial instruments categorized in the disclosure hierarchy:

	Level 1	*Level 2*	*Level 3*	*Total*
Assets:				
Investments:				
Long-Term Investments:				
Common Stocks:				
Australia	$ 98,832	$ 7,479,741	$ 5,830,553	$ 13,409,126
Belgium	—	21,018,441	—	21,018,441
Brazil	64,241,339	—	—	64,241,339
Canada	130,575,188	—	—	130,575,188
China	24,071,798	109,102,745	—	133,174,543
Czech Republic	—	3,882,525	—	3,882,525
Denmark	—	8,079,741	—	8,079,741
Finland	—	836,855	—	836,855
France	40,375,689	202,882,861	—	243,258,550
Germany	28,574,096	88,409,698	—	116,983,794
Hong Kong	—	82,350,243	—	82,350,243
India	—	107,935,699	—	107,935,699
Indonesia	—	3,290,112	—	3,290,112
Italy	9,699,640	39,335,179	—	49,034,819
Japan	—	692,812,497	—	692,812,497
Macau	—	298,021	—	298,021
Malaysia	—	1,551,458	—	1,551,458
Mexico	595,826	—	—	595,826
Netherlands	34,623,328	168,077,126	—	202,700,454
Norway	—	214,073	—	214,073
Peru	68,802	—	—	68,802
Poland	—	251,518	—	251,518
Portugal	—	9,594,874	—	9,594,874
Singapore	—	49,443,707	—	49,443,707
South Africa	—	1,313,897	—	1,313,897
South Korea	2,755,075	57,414,891	—	60,169,966
Spain	—	31,763,445	—	31,763,445
Sweden	—	1,416,096	—	1,416,096
Switzerland	—	82,147,183	—	82,147,183
Taiwan	—	77,305,867	—	77,305,867
Thailand	—	17,552,580	—	17,552,580
Turkey	—	397,945	—	397,945
United Arab Emirates	—	34,256,024	—	34,256,024
United Kingdom	21,425,917	123,852,375	—	145,278,292
United States	2,832,621,469	3,662,468	3,293,810	2,839,577,747
Corporate Bonds:				
Australia	—	—	38,861,531	38,861,531
Belgium	—	10,507,475	—	10,507,475
Chile	—	155,734	—	155,734
China	—	5,491,878	—	5,491,878
France	—	6,949,544	—	6,949,544
Germany	—	12,792,031	—	12,792,031
India	—	—	1	1
Italy	—	3,862,700	—	3,862,700
Japan	—	26,572,584	—	26,572,584
Luxembourg	—	1,990,990	—	1,990,990
Netherlands	—	11,838,528	—	11,838,528
Singapore	—	5,151,907	—	5,151,907
Switzerland	—	4,670,666	—	4,670,666
Turkey	—	—	3,317,000	3,317,000
United Kingdom	—	6,705,761	—	6,705,761
United States	—	279,438,028	—	279,438,028
Floating Rate Loan Interests	—	15,626,305	—	15,626,305
Foreign Government Obligations	—	253,737,337	—	253,737,337
Investment Companies	116,153,961	—	—	116,153,961

	Level 1	Level 2	Level 3	Total
Preferred Securities:				
Brazil	$ 4,970,465	$ —	$ —	$ 4,970,465
China	—	21,327,326	—	21,327,326
Netherlands	—	3,280,418	—	3,280,418
South Korea	—	627,878	—	627,878
United Kingdom	—	27,679,776	—	27,679,776
United States	29,044,240	50,556,934	75,248,455	154,849,629
U.S. Treasury Obligations	—	2,030,099,205	—	2,030,099,205
Short-Term Securities:				
Foreign Government Obligations	—	179,739,262	—	179,739,262
Money Market Funds	22,471,516	—	—	22,471,516
Time Deposits	—	1,803,205	—	1,803,205
U.S. Treasury Obligations	—	496,767,347	—	496,767,347
Options Purchased:				
Equity contracts	—	18,374,807	—	18,374,807
Foreign currency exchange contracts	—	3,447,545	—	3,447,545
Interest rate contracts	—	126,635	—	126,635
Liabilities:				
Investment Sold Short				
Common Stocks:				
France	—	(5,047,857)	—	(5,047,857)
Japan	—	(11,574,706)	—	(11,574,706)
United States	(3,149,519)	—	—	(3,149,519)
Subtotal	$3,359,217,662	$5,490,629,128	$126,551,350	$8,976,398,140
Investments valued at NAV[(a)]				209,506,557
Total Investments				$9,185,904,697
Derivative Financial Instruments[(b)]				
Assets:				
Credit contracts	$ —	$ 214,055	$ —	$ 214,055
Equity contracts	6,413,616	4,921,987	—	11,335,603
Foreign currency exchange contracts	—	6,429,402	—	6,429,402
Interest rate contracts	—	16,422,845	—	16,422,845
Liabilities:				
Equity contracts	(419,778)	(67,215,917)	—	(67,635,695)
Foreign currency exchange contracts	—	(7,367,963)	—	(7,367,963)
Interest rate contracts	(929,678)	(10,306,458)	—	(11,236,136)
	$ 5,064,160	$ (56,902,049)	$ —	$ (51,837,889)

(a) Certain investments of the Fund were fair valued using NAV per share as no quoted market value is available and therefore have been excluded from the fair value hierarchy.

(b) Derivative financial instruments are swaps, futures contracts, forward foreign currency exchange contracts and options written. Swaps, futures contracts and forward foreign currency exchange contracts are valued at the unrealized appreciation (depreciation) on the instrument and options written are shown at value.

Transfers between Level 1 and Level 2 were as follows:

	Transfers Out of Level 1 [(a)]	Transfers Into Level 2 [(a)]
Assets:		
Investments:		
Common Stocks:		
Czech Republic	$ 4,441,567	$ 4,441,567
Hong Kong	10,213,986	10,213,986
India	71,154	71,154
Japan	317,914	317,914
Poland	56,071	56,071
Portugal	10,624,858	10,624,858
South Korea	23,756,634	23,756,634
Taiwan	18,624,022	18,624,022
Thailand	7,689,365	7,689,365
United Arab Emirates	39,994,489	39,994,489
United Kingdom	16,163,464	16,163,464
	$ 131,953,524	$131,953,524

(a) External pricing service used to reflect any significant market movements between the time the Fund valued such foreign securities and the earlier closing of foreign markets. See Notes to Consolidated Financial Statements.

A reconciliation of Level 3 investments is presented when the Fund had a significant amount of Level 3 investments at the beginning and/or end of the year in relation to net assets. The following table is a reconciliation of Level 3 investments for which significant unobservable inputs were used in determining fair value:

	Common Stocks	*Corporate Bonds*	*Preferred Securities*	*Warrants*	*Total*
Investments:					
Assets:					
Opening Balance, as of December 31, 2017	$ 472,461	$ 8,403,598	$101,952,816	$ 29	$110,828,904
Transfers into Level 3	—	—	—	—	—
Transfers out of Level 3	—	(24,000)	(38,984,160)	—	(39,008,160)
Accrued discounts/premiums	—	(155,945)	—	—	(155,945)
Net realized gain (loss)	—	(46,910,658)	—	—	(46,910,658)
Net change in unrealized appreciation (depreciation)[a][b]	(3,530,581)	41,640,722	9,098,833	(29)	47,208,945
Purchases	12,182,483	41,439,419	3,180,966	—	56,802,868
Sales	—	(2,214,604)	—	—	(2,214,604)
Closing Balance, as of December 31, 2018	$ 9,124,363	$ 42,178,532	$ 75,248,455	$ —	$126,551,350
Net change in unrealized appreciation (depreciation) on investments still held at December 31, 2018[b]	$ (3,530,581)	$ (4,458,011)	$ 9,098,833	$ —	$ 1,110,241

[a] Included in the related net change in unrealized appreciation (depreciation) in the Consolidated Statement of Operations.

[b] Any difference between net change in unrealized appreciation (depreciation) and net change in unrealized appreciation (depreciation) on investments still held at December 31, 2018 is generally due to investments no longer held or categorized as Level 3 at period end.

The Fund's investments that are categorized as Level 3 were valued utilizing third party pricing information without adjustment. Such valuations are based on unobservable inputs. A significant change in third party information could result in a significantly lower or higher value of such Level 3 investments.

The following table summarizes the valuation approaches used and unobservable inputs utilized by the BlackRock Global Valuation Methodologies Committee (the "Global Valuation Committee") to determine the value of certain of the Fund's Level 3 investments as of period end. The table does not include Level 3 investments with values based upon unadjusted third party pricing information in the amount of $3,292,172. A significant change in the third party information could result in a significantly lower or higher value of such Level 3 investments.

	Value	*Valuation Approach*	*Unobservable Inputs*	*Range of Unobservable Inputs Utilized*	*Weighted Average of Unobservable Inputs*
Common Stocks	$ 5,832,192	Market	Revenue Multiple[a]	3.50x	—
			Time to Exit[a]	0.5 years	—
			Volatility[a]	44%	—
		Income	Discount Rate[b]	15%	—
Corporate Bonds	42,178,531	Income	Discount Rate[b]	15%-38%	17%
Preferred Stocks'[c]	75,248,455	Market	Recent Transactions[a]	—	—
			Revenue Multiple[a]	3.50x-14.25x	7.41x
			Time to Exit[b]	0.5 years	—
			Volatility[b]	44%	—
	$123,259,178				

[a] Increase in unobservable input may result in a significant increase to value, while a decrease in unobservable input may result in a significant decrease to value.

[b] Decrease in unobservable input may result in a significant increase to value, while an increase in unobservable input may result in a significant decrease to value.

[c] For the year ended December 31, 2018, the valuation technique for investments classified as preferred stocks amounting to $50,945,973 changed to Current Value. The investments were previously valued utilizing Transaction Price. The change was due to consideration of the information that was available at the time the investments were valued.

See notes to consolidated financial statements.

Consolidated Statement of Assets and Liabilities

December 31, 2018

	BlackRock Global Allocation V.I. Fund
ASSETS	
Investments at value — unaffiliated (including securities loaned at value of $205,459,274) (cost — $9,063,221,168)	$8,859,833,648
Investments at value — affiliated (cost — $353,622,368)	345,843,131
Cash	31,298,459
Cash pledged:	
Futures contracts	18,916,000
Centrally cleared swaps	12,226,000
Foreign currency at value (cost — $1,193,490)	1,195,877
Receivables:	
Investments sold	18,394,966
Securities lending income — affiliated	66,507
Swaps	1,022,303
Capital shares sold	10,043,281
Dividends — affiliated	30,722
Dividends — unaffiliated	9,238,458
Interest — unaffiliated	21,384,348
Variation margin on futures contracts	192,609
Variation margin on centrally cleared swaps	1,135,739
Unrealized appreciation on:	
Forward foreign currency exchange contracts	6,429,402
OTC swaps	4,921,987
Prepaid expenses	10,103
Total assets	9,342,183,540
LIABILITIES	
Investments sold short, at value (proceeds $25,194,044)	19,772,082
Cash received as collateral for OTC derivatives	6,870,000
Cash collateral on securities loaned at value	209,469,852
Options written at value (premium received $44,813,654)	69,631,015
Payables:	
Investments purchased	29,517,035
Capital shares redeemed	5,461,896
Deferred foreign capital gain tax	728,665
Distribution fees	1,485,538
Transfer agent fees	4,780,400
Variation margin on futures contracts	3,737,779
Board realignment and consolidation	270,279
Investment advisory fees	4,862,376
Directors' and Officer's fees	35,711
Other affiliates	25,128
Other accrued expenses	2,511,665
Unrealized depreciation on:	
Forward foreign currency exchange contracts	7,367,963
OTC swaps	544,715
Total liabilities	367,072,099
NET ASSETS	$8,975,111,441
NET ASSETS CONSIST OF	
Paid-in capital	$9,168,250,066
Accumulated loss	(193,138,625)
NET ASSETS	$8,975,111,441
NET ASSET VALUE	
Class I — Based on net assets of $2,091,196,784 and 137,678,992 shares outstanding, 400 million shares authorized, $0.10 par value.	$ 15.19
Class II — Based on net assets of $213,919,086 and 14,129,808 shares outstanding, 200 million shares authorized, $0.10 par value.	$ 15.14
Class III — Based on net assets of $6,669,995,571 and 514,907,688 shares outstanding, 1.5 billion shares authorized, $0.10 par value.	$ 12.95

See notes to consolidated financial statements.

Consolidated Statement of Operations

Year Ended December 31, 2018

	BlackRock Global Allocation V.I. Fund
INVESTMENT INCOME	
Dividends — affiliated	$ 183,739
Dividends — unaffiliated	137,581,514
Interest — unaffiliated	100,230,307
Securities lending income — affiliated — net	1,088,546
Foreign taxes withheld	(7,508,404)
Total investment income	231,575,702
EXPENSES	
Investment advisory	64,073,510
Distribution — class specific	19,558,159
Transfer agent — class specific	18,525,655
Custodian	1,441,462
Professional	746,595
Printing	569,081
Accounting services	561,900
Board realignment and consolidation	276,370
Directors and Officer	127,406
Transfer agent	4,941
Miscellaneous	212,718
Total expenses excluding dividend expense	106,097,797
Dividends expense — unaffiliated	795,187
Total expenses	106,892,984
Less:	
Fees waived and/or reimbursed by the Manager	(425,060)
Transfer agent fees waived and/or reimbursed — class specific	(11,392,661)
Total expenses after fees waived and/or reimbursed	95,075,263
Net investment income	136,500,439
REALIZED AND UNREALIZED GAIN (LOSS)	
Net realized gain (loss) from:	
Investments — affiliated	24,463
Investments — unaffiliated (net of $501,091 foreign capital gain tax)	369,737,006
Capital gain distributions from investment companies — affiliated	20
Forward foreign currency exchange contracts	(13,975,279)
Foreign currency transactions	11,407,034
Futures contracts	(1,357,682)
Options written	11,561,067
Short sales — unaffiliated	4,309,534
Swaps	8,557,956
	390,264,119
Net change in unrealized appreciation (depreciation) on:	
Investments — affiliated	(5,007,538)
Investments — unaffiliated (net of $394,615 foreign capital gain tax)	(1,215,253,198)
Forward foreign currency exchange contracts	(7,735,636)
Foreign currency translations	(111,161)
Futures contracts	5,836,909
Options written	(36,642,897)
Short sales — unaffiliated	5,421,962
Swaps	(17,072,497)
	(1,270,564,056)
Net realized and unrealized loss	(880,299,937)
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	$ (743,799,498)

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

	BlackRock Global Allocation V.I. Fund	
	Year Ended December 31,	
	2018	2017
INCREASE (DECREASE) IN NET ASSETS		
OPERATIONS		
Net investment income	$ 136,500,439	$ 126,982,603
Net realized gain	390,264,119	414,074,260
Net change in unrealized appreciation (depreciation)	(1,270,564,056)	831,654,996
Net increase (decrease) in net assets resulting from operations	(743,799,498)	1,372,711,859
DISTRIBUTIONS TO SHAREHOLDERS[(a)(b)]		
Class I	(107,089,999)	(52,222,959)
Class II	(10,743,144)	(5,499,573)
Class III	(383,334,181)	(197,591,823)
Decrease in net assets resulting from distributions to shareholders	(501,167,324)	(255,314,355)
CAPITALSHARE TRANSACTIONS		
Net decrease in net assets derived from capital share transactions	(578,134,925)	(795,038,529)
NET ASSETS[(b)]		
Total increase (decrease) in net assets	(1,823,101,747)	322,358,975
Beginning of year	10,798,213,188	10,475,854,213
End of year	$ 8,975,111,441	$10,798,213,188

(a) Distributions for annual periods determined in accordance with U.S. federal income tax regulations.

(b) Prior year distribution character information and distributions in excess of net investment income has been modified or removed to conform with current year Regulation S-X presentation changes. Refer to Note 12 for this prior year information.

See notes to consolidated financial statements.

Consolidated Financial Highlights

(For a share outstanding throughout each period)

	BlackRock Global Allocation V.I. Fund				
	Class I				
	Year Ended December 31,				
	2018	2017	2016	2015	2014
Net asset value, beginning of year	$ 17.26	$ 15.51	$ 15.09	$ 16.26	$ 17.61
Net investment income[a]	0.26	0.22	0.22	0.22	0.29
Net realized and unrealized gain (loss)	(1.52)	1.92	0.40	(0.35)	0.12
Net increase (decrease) from investment operations	(1.26)	2.14	0.62	(0.13)	0.41
Distributions:[b]					
From net investment income	(0.17)	(0.22)	(0.20)	(0.19)	(0.39)
From net realized gain	(0.64)	(0.17)	—	(0.84)	(1.37)
From return of capital	—	—	—	(0.01)	—
Total distributions	(0.81)	(0.39)	(0.20)	(1.04)	(1.76)
Net asset value, end of year	$ 15.19	$ 17.26	$ 15.51	$ 15.09	$ 16.26
Total Return[c]					
Based on net asset value	(7.34)%	13.86%	4.11%	(0.89)%	2.30%
Ratios to Average Net Assets[d]					
Total expenses	0.75%	0.72%	0.74%	0.75%	0.74%
Total expenses after fees waived and/or reimbursed	0.74%	0.72%	0.74%	0.73%	0.72%
Total expenses after fees waived and/or reimbursed and excluding dividend expense, interest expense and broker fees and expenses on short sales	0.73%	0.70%	0.73%	0.73%	0.72%
Net investment income	1.53%	1.32%	1.47%	1.32%	1.64%
Supplemental Data					
Net assets, end of year (000)	$2,091,197	$2,306,034	$2,107,145	$1,994,371	$1,708,903
Portfolio turnover rate	144%	118%	135%	90%[e]	72%

(a) Based on average shares outstanding.

(b) Distributions for annual periods determined in accordance with U.S. federal income tax regulations.

(c) Where applicable, excludes insurance-related fees and expenses and assumes the reinvestments of distributions.

(d) Excludes expenses incurred indirectly as a result of investments in underlying funds as follows:

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Investments in underlying funds	0.01%	0.01%	— %	— %	— %

(e) Includes mortgage dollar roll transactions ("MDRs"). Excluding these transactions the portfolio turnover would have been 88%.

See notes to consolidated financial statements.

Consolidated Financial Highlights (continued)

(For a share outstanding throughout each period)

	BlackRock Global Allocation V.I. Fund (continued)				
	Class II				
	Year Ended December 31,				
	2018	2017	2016	2015	2014
Net asset value, beginning of year	$ 17.21	$ 15.46	$ 15.04	$ 16.21	$ 17.56
Net investment income[(a)]	0.23	0.19	0.20	0.19	0.25
Net realized and unrealized gain (loss)	(1.52)	1.93	0.40	(0.35)	0.14
Net increase (decrease) from investment operations	(1.29)	2.12	0.60	(0.16)	0.39
Distributions:[(b)]					
From net investment income	(0.14)	(0.20)	(0.18)	(0.16)	(0.37)
From net realized gain	(0.64)	(0.17)	—	(0.84)	(1.37)
From return of capital	—	—	—	(0.01)	—
Total distributions	(0.78)	(0.37)	(0.18)	(1.01)	(1.74)
Net asset value, end of year	$ 15.14	$ 17.21	$ 15.46	$ 15.04	$ 16.21
Total Return[(c)]					
Based on net asset value	(7.52)%	13.74%	3.96%	(1.05)%	2.16%
Ratios to Average Net Assets[(d)]					
Total expenses	1.04%	1.00%	1.02%	1.02%	1.01%
Total expenses after fees waived and/or reimbursed	0.89%	0.87%	0.89%	0.88%	0.88%
Total expenses after fees waived and/or reimbursed and excluding dividend expense, interest expense and broker fees and expenses on short sales	0.88%	0.85%	0.88%	0.88%	0.87%
Net investment income	1.34%	1.17%	1.33%	1.17%	1.39%
Supplemental Data					
Net assets, end of year (000)	$213,919	$258,564	$229,492	$256,964	$260,312
Portfolio turnover rate	144%	118%	135%	90%[(e)]	72%

(a) Based on average shares outstanding.

(b) Distributions for annual periods determined in accordance with U.S. federal income tax regulations.

(c) Where applicable, excludes insurance-related fees and expenses and assumes the reinvestments of distributions.

(d) Excludes expenses incurred indirectly as a result of investments in underlying funds as follows:

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Investments in underlying funds	0.01%	0.01%	— %	— %	— %

(e) Includes mortgage dollar roll transactions ("MDRs"). Excluding these transactions the portfolio turnover would have been 88%.

See notes to consolidated financial statements.

Consolidated Financial Highlights (continued)

(For a share outstanding throughout each period)

	BlackRock Global Allocation V.I. Fund (continued)				
	Class III				
	Year Ended December 31,				
	2018	2017	2016	2015	2014
Net asset value, beginning of year	$ 14.84	$ 13.37	$ 13.04	$ 14.19	$ 15.58
Net investment income[a]	0.19	0.17	0.16	0.15	0.21
Net realized and unrealized gain (loss)	(1.31)	1.66	0.34	(0.30)	0.12
Net increase (decrease) from investment operations	(1.12)	1.83	0.50	(0.15)	0.33
Distributions:[b]					
From net investment income	(0.13)	(0.19)	(0.17)	(0.15)	(0.35)
From net realized gain	(0.64)	(0.17)	—	(0.84)	(1.37)
From return of capital	—	—	—	(0.01)	—
Total distributions	(0.77)	(0.36)	(0.17)	(1.00)	(1.72)
Net asset value, end of year	$ 12.95	$ 14.84	$ 13.37	$ 13.04	$ 14.19
Total Return[c]					
Based on net asset value	(7.58)%	13.71%	3.81%	(1.14)%	2.08%
Ratios to Average Net Assets[d]					
Total expenses	1.14%	1.13%	1.12%	1.12%	1.11%
Total expenses after fees waived and/or reimbursed	0.99%	1.00%	0.99%	0.98%	0.98%
Total expenses after fees waived and/or reimbursed and excluding dividend expense, interest expense and broker fees and expenses on short sales	0.98%	0.98%	0.98%	0.98%	0.97%
Net investment income	1.28%	1.15%	1.22%	1.07%	1.32%
Supplemental Data					
Net assets, end of year (000)	$6,669,996	$8,233,615	$8,139,218	$8,869,288	$9,780,007
Portfolio turnover rate	144%	118%	135%	90%[e]	72%

[a] Based on average shares outstanding.

[b] Distributions for annual periods determined in accordance with U.S. federal income tax regulations.

[c] Where applicable, excludes insurance-related fees and expenses and assumes the reinvestments of distributions.

[d] Excludes expenses incurred indirectly as a result of investments in underlying funds as follows:

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Investments in underlying funds	0.01%	0.01%	— %	— %	— %

[e] Includes mortgage dollar roll transactions (“MDRs”). Excluding these transactions the portfolio turnover would have been 88%.

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. ORGANIZATION

BlackRock Variable Series Funds, Inc. (the "Company") is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end management investment company. The Company is organized as a Maryland corporation that is comprised of 15 separate portfolios. The portfolios offer shares to insurance companies for their separate accounts to fund benefits under certain variable annuity and variable life insurance contracts. The consolidated financial statements presented are for BlackRock Global Allocation V.I. Fund (the "Fund"). The Fund is classified as diversified. Class I, Class II and Class III Shares have equal voting, dividend, liquidation and other rights, except that only shares of the respective classes are entitled to vote on matters concerning only that class. In addition, Class II and Class III Shares bear certain expenses related to the distribution of such shares.

The Fund, together with certain other registered investment companies advised by BlackRock Advisors, LLC (the "Manager") or its affiliates, is included in a complex of open-end funds referred to as the Equity-Bond Complex.

Basis of Consolidation: The accompanying consolidated financial statements of the Fund include the accounts of BlackRock Cayman Global Allocation V.I. Fund I, Ltd. (the "Subsidiary"), which is a wholly-owned subsidiary of the Fund and primarily invests in commodity-related instruments. The Subsidiary enables the Fund to hold these commodity-related instruments and satisfy regulated investment company tax requirements. The Fund may invest up to 25% of its total assets in the Subsidiary. The net assets of the Subsidiary as of period end were $128,137,378, which is 1.4% of the Fund's consolidated net assets. Intercompany accounts and transactions, if any, have been eliminated. The Subsidiary is subject to the same investment policies and restrictions that apply to the Fund, except that the Subsidiary may invest without limitation in commodity-related instruments.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the consolidated financial statements, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates. The Fund is considered an investment company under U.S. GAAP and follows the accounting and reporting guidance applicable to investment companies. Below is a summary of significant accounting policies:

Investment Transactions and Income Recognition: For financial reporting purposes, investment transactions are recorded on the dates the transactions are entered into (the "trade dates"). Realized gains and losses on investment transactions are determined on the identified cost basis. Dividend income is recorded on the ex-dividend date. Dividends from foreign securities where the ex-dividend date may have passed are subsequently recorded when the Fund is informed of the ex-dividend date. Under the applicable foreign tax laws, a withholding tax at various rates may be imposed on capital gains, dividends and interest. Interest income, including amortization and accretion of premiums and discounts on debt securities, is recognized on an accrual basis. Income, expenses and realized and unrealized gains and losses are allocated daily to each class based on its relative net assets.

Foreign Currency Translation: The Fund's books and records are maintained in U.S. dollars. Securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars using exchange rates determined as of the close of trading on the New York Stock Exchange ("NYSE"). Purchases and sales of investments are recorded at the rates of exchange prevailing on the respective dates of such transactions. Generally, when the U.S. dollar rises in value against a foreign currency, the investments denominated in that currency will lose value; the opposite effect occurs if the U.S. dollar falls in relative value.

The Fund does not isolate the portion of the results of operations arising as a result of changes in the exchange rates from the changes in the market prices of investments held or sold for financial reporting purposes. Accordingly, the effects of changes in exchange rates on investments are not segregated in the Consolidated Statement of Operations from the effects of changes in market prices of those investments, but are included as a component of net realized and unrealized gain (loss) from investments. The Fund reports realized currency gains (losses) on foreign currency related transactions as components of net realized gain (loss) for financial reporting purposes, whereas such components are generally treated as ordinary income for U.S. federal income tax purposes.

Segregation and Collateralization: In cases where the Fund enters into certain investments (e.g., futures contracts, forward foreign currency exchange contracts, options written, swaps and short sales) that would be treated as "senior securities" for 1940 Act purposes, the Fund may segregate or designate on its books and records cash or liquid assets having a market value at least equal to the amount of its future obligations under such investments. Doing so allows the investment to be excluded from treatment as a "senior security." Furthermore, if required by an exchange or counterparty agreement, the Fund may be required to deliver/deposit cash and/or securities to/with an exchange, or broker-dealer or custodian as collateral for certain investments or obligations.

Distributions: Distributions paid by the Fund are recorded on the ex-dividend date. Distributions of capital gains are recorded on the ex-dividend date and made at least annually. Distributions of capital gains are recorded on the ex-dividend date and made at least annually. The character and timing of distributions are determined in accordance with U.S. federal income tax regulations, which may differ from U.S. GAAP.

Net income and realized gains from investments held by the Subsidiary are treated as ordinary income for tax purposes. If a net loss is realized by the Subsidiary in any taxable year, the loss will generally not be available to offset the Fund's ordinary income and/or capital gains for that year.

Recent Accounting Standards: In March 2017, the Financial Accounting Standards Board issued Accounting Standards Update "Premium Amortization of Purchased Callable Debt Securities", which amends the amortization period for certain purchased callable debt securities. Under the new guidance, the premium amortization of purchased callable debt securities that have explicit, non-contingent call features and are callable at fixed prices will be amortized to the earliest call date. The guidance will be applied on a modified retrospective basis and is effective for fiscal years, and their interim periods, beginning after December 15, 2018. Management is currently evaluating the impact of this guidance to the Fund.

In August 2018, the Financial Accounting Standards Board issued Accounting Standards Update 2018-13 "Changes to the Disclosure Requirements for Fair Value Measurement" which modifies disclosure requirements for fair value measurements. The guidance is effective for fiscal years beginning after December 15, 2019 and for interim periods within those fiscal years. Management is currently evaluating the impact of this guidance to the Fund.

Indemnifications: In the normal course of business, the Fund enters into contracts that contain a variety of representations that provide general indemnification. The Fund's maximum exposure under these arrangements is unknown because it involves future potential claims against the Fund, which cannot be predicted with any certainty.

Other: Expenses directly related to the Fund or its classes are charged to the Fund or the applicable class. Other operating expenses shared by several funds, including other funds managed by the Manager, are prorated among those funds on the basis of relative net assets or other appropriate methods. Expenses directly related to the Fund and other shared expenses prorated to the Fund are allocated daily to each class based on its relative net assets or other appropriate methods.

The Fund has an arrangement with its custodian whereby credits are earned on uninvested cash balances, which could be used to reduce custody fees and/or overdraft charges. The Fund may incur charges on certain uninvested cash balances and overdrafts, subject to certain conditions.

3. INVESTMENT VALUATION AND FAIR VALUE MEASUREMENTS

Investment Valuation Policies: The Fund's investments are valued at fair value (also referred to as "market value" within the consolidated financial statements) as of the close of trading on the NYSE (generally 4:00 p.m., Eastern time). U.S. GAAP defines fair value as the price the Fund would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. The Fund determines the fair values of its financial instruments using various independent dealers or pricing services under policies approved by the Board of Directors of the Company (the "Board"). The BlackRock Global Valuation Methodologies Committee (the "Global Valuation Committee") is the committee formed by management to develop global pricing policies and procedures and to oversee the pricing function for all financial instruments.

Fair Value Inputs and Methodologies: The following methods and inputs are used to establish the fair value of the Fund's assets and liabilities:

- Equity investments traded on a recognized securities exchange are valued at the official closing price each day, if available. For equity investments traded on more than one exchange, the official closing price on the exchange where the stock is primarily traded is used. Equity investments traded on a recognized exchange for which there were no sales on that day may be valued at the last available bid (long positions) or ask (short positions) price.
- Fixed-income securities for which market quotations are readily available are generally valued using the last available bid prices or current market quotations provided by independent dealers or third party pricing services. Floating rate loan interests are valued at the mean of the bid prices from one or more independent brokers or dealers as obtained from a third party pricing service. Pricing services generally value fixed-income securities assuming orderly transactions of an institutional round lot size, but a fund may hold or transact in such securities in smaller, odd lot sizes. Odd lots may trade at lower prices than institutional round lots. The pricing services may use matrix pricing or valuation models that utilize certain inputs and assumptions to derive values, including transaction data (e.g., recent representative bids and offers), credit quality information, perceived market movements, news, and other relevant information. Certain fixed-income securities, including asset-backed and mortgage related securities may be valued based on valuation models that consider the estimated cash flows of each tranche of the entity, establish a benchmark yield and develop an estimated tranche specific spread to the benchmark yield based on the unique attributes of the tranche. The amortized cost method of valuation may be used with respect to debt obligations with sixty days or less remaining to maturity unless the Manager determines such method does not represent fair value.
- Generally, trading in foreign instruments is substantially completed each day at various times prior to the close of trading on the NYSE. Occasionally, events affecting the values of such instruments may occur between the foreign market close and the close of trading on the NYSE that may not be reflected in the computation of the Fund's net assets. Each business day, the Fund uses a pricing service to assist with the valuation of certain foreign exchange-traded equity securities and foreign exchange-traded over-the-counter ("OTC") options (the "Systematic Fair Value Price"). Using current market factors, the Systematic Fair Value Price is designed to value such foreign securities and foreign options at fair value as of the close of trading on the NYSE, which follows the close of the local markets.
- Investments in open-end U.S. mutual funds are valued at net asset value ("NAV") each business day.
- The Fund values its investment in SL Liquidity Series, LLC, Money Market Series (the "Money Market Series") at fair value, which is ordinarily based upon its pro rata ownership in the underlying fund's net assets. The Money Market Series seeks current income consistent with maintaining liquidity and preserving capital. Although the Money Market Series is not registered under the 1940 Act, its investments may follow the parameters of investments by a money market fund that is subject to Rule 2a-7 under the 1940 Act.
- Futures contracts traded on exchanges are valued at their last sale price.
- Forward foreign currency exchange contracts are valued at the mean between the bid and ask prices and are determined as of the close of trading on the NYSE. Interpolated values are derived when the settlement date of the contract is an interim date for which quotations are not available.
- Exchange-traded options are valued at the mean between the last bid and ask prices at the close of the options market in which the options trade. An exchange-traded option for which there is no mean price is valued at the last bid (long positions) or ask (short positions) price. If no bid or ask price is available, the prior day's price will be used, unless it is determined that the prior day's price no longer reflects the fair value of the option. OTC options and options on swaps ("swaptions") are valued by an independent pricing service using a mathematical model, which incorporates a number of market data factors, such as the trades and prices of the underlying instruments.
- Swap agreements are valued utilizing quotes received daily by the Fund's pricing service or through brokers, which are derived using daily swap curves and models that incorporate a number of market data factors, such as discounted cash flows, trades and values of the underlying reference instruments.

If events (e.g., a company announcement, market volatility or a natural disaster) occur that are expected to materially affect the value of such investments, or in the event that the application of these methods of valuation results in a price for an investment that is deemed not to be representative of the market value of such investment, or if a price is not available, the investment will be valued by the Global Valuation Committee, or its delegate, in accordance with a policy approved by the Board as reflecting fair value ("Fair Valued Investments"). The fair valuation approaches that may be used by the Global Valuation Committee will include market approach, income approach and cost approach. Valuation techniques such as discounted cash flow, use of market comparables and matrix pricing are types of valuation approaches and are typically used in determining fair value. When determining the price for Fair Valued Investments, the Global Valuation Committee, or its delegate, seeks to determine the price that the Fund might reasonably expect to receive or pay from the current sale or purchase of that asset or liability in an arm's-length transaction. Fair value determinations shall be based upon all available factors that the Global Valuation Committee, or its delegate, deems relevant and consistent with the principles of fair value measurement.

The Global Valuation Committee, or its delegate, employs various methods for calibrating valuation approaches for investments where an active market does not exist, including regular due diligence of the Fund's pricing vendors, regular reviews of key inputs and assumptions, transactional back-testing or disposition analysis to compare unrealized gains and losses to realized gains and losses, reviews of missing or stale prices and large movements in market values and reviews of any market related activity. The pricing of all Fair Valued Investments is subsequently reported to the Board or a committee thereof on a quarterly basis. As a result of the inherent uncertainty in valuation of these investments, the fair values may differ from the values that would have been used had an active market existed.

For investments in equity or debt issued by privately held companies or funds ("Private Company" or collectively, the "Private Companies") and other Fair Valued Investments, the fair valuation approaches that are used by third party pricing services utilize one or a combination of, but not limited to, the following inputs.

	Standard Inputs Generally Considered By Third Party Pricing Services
Market approach	(i) recent market transactions, including subsequent rounds of financing, in the underlying investment or comparable issuers; (ii) recapitalizations and other transactions across the capital structure; and (iii) market multiples of comparable issuers.
Income approach	(i) future cash flows discounted to present and adjusted as appropriate for liquidity, credit, and/or market risks; (ii) quoted prices for similar investments or assets in active markets; and (iii) other risk factors, such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks, recovery rates, liquidation amounts and/or default rates.
Cost approach	(i) audited or unaudited financial statements, investor communications and financial or operational metrics issued by the Private Company; (ii) changes in the valuation of relevant indices or publicly traded companies comparable to the Private Company; (iii) relevant news and other public sources; and (iv) known secondary market transactions in the Private Company's interests and merger or acquisition activity in companies comparable to the Private Company.

Investments in series of preferred stock issued by Private Companies are typically valued utilizing market approach in determining the enterprise value of the company. Such investments often contain rights and preferences that differ from other series of preferred and common stock of the same issuer. Valuation techniques such as an option pricing model ("OPM"), a probability weighted expected return model ("PWERM") or a hybrid of those techniques are used in allocating enterprise value of the company, as deemed appropriate under the circumstances. The use of OPM and PWERM techniques involve a determination of the exit scenarios of the investment in order to appropriately allocate the enterprise value of the company among the various parts of its capital structure.

The Private Companies are not subject to the public company disclosure, timing, and reporting standards as other investments held by the Fund. Typically, the most recently available information by a Private Company is as of a date that is earlier than the date the Fund is calculating its NAV. This factor may result in a difference between the value of the investment and the price the Fund could receive upon the sale of the investment.

Fair Value Hierarchy: Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs to valuation techniques are categorized into a fair value hierarchy consisting of three broad levels for financial statement purposes as follows:

- Level 1 — Unadjusted price quotations in active markets/exchanges for identical assets or liabilities that the Fund has the ability to access
- Level 2 — Other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market–corroborated inputs)
- Level 3 — Unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including the Fund's own assumptions used in determining the fair value of investments and derivative financial instruments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Investments classified within Level 3 have significant unobservable inputs used by the Global Valuation Committee in determining the price for Fair Valued Investments. Level 3 investments include equity or debt issued by Private Companies. There may not be a secondary market, and/or there are a limited number of investors. Level 3 investments may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the Global Valuation Committee in the absence of market information.

Changes in valuation techniques may result in transfers into or out of an assigned level within the hierarchy. In accordance with the Fund's policy, transfers between different levels of the fair value hierarchy are deemed to have occurred as of the beginning of the reporting period. The categorization of a value determined for investments and derivative financial instruments is based on the pricing transparency of the investments and derivative financial instruments and is not necessarily an indication of the risks associated with investing in those securities.

As of December 31, 2018, certain investments of the Fund were valued using NAV per share as no quoted market value is available and therefore have been excluded from the fair value hierarchy.

4. SECURITIES AND OTHER INVESTMENTS

Asset-Backed and Mortgage-Backed Securities: Asset-backed securities are generally issued as pass-through certificates or as debt instruments. Asset-backed securities issued as pass-through certificates represent undivided fractional ownership interests in an underlying pool of assets. Asset-backed securities issued as debt instruments, which are also known as collateralized obligations, are typically issued as the debt of a special purpose entity organized solely for the purpose of owning such assets and issuing such debt. Asset-backed securities are often backed by a pool of assets representing the obligations of a number of different parties. The yield characteristics of certain asset-backed securities may differ from traditional debt securities. One such major difference is that all or a principal part of the obligations may be prepaid at any time because the underlying assets (i.e., loans) may be prepaid at any time. As a result, a decrease in interest rates in the market may result in increases in the level of prepayments as borrowers, particularly mortgagors, refinance and repay their loans. An increased prepayment rate with respect to an asset-backed security will have the effect of shortening the maturity of the security. In addition, a fund may subsequently have to reinvest the proceeds at lower interest rates. If a fund has purchased such an asset-backed security at a premium, a faster than anticipated prepayment rate could result in a loss of principal to the extent of the premium paid.

For mortgage pass-through securities (the “Mortgage Assets”) there are a number of important differences among the agencies and instrumentalities of the U.S. Government that issue mortgage-related securities and among the securities that they issue. For example, mortgage-related securities guaranteed by Ginnie Mae are guaranteed as to the timely payment of principal and interest by Ginnie Mae and such guarantee is backed by the full faith and credit of the United States. However, mortgage-related securities issued by Freddie Mac and Fannie Mae, including Freddie Mac and Fannie Mae guaranteed mortgage pass-through certificates, which are solely the obligations of Freddie Mac and Fannie Mae, are not backed by or entitled to the full faith and credit of the United States, but are supported by the right of the issuer to borrow from the U.S. Treasury.

Non-agency mortgage-backed securities are securities issued by non-governmental issuers and have no direct or indirect government guarantees of payment and are subject to various risks. Non-agency mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity. The ability of a borrower to repay a loan is dependent upon the income or assets of the borrower. A number of factors, including a general economic downturn, acts of God, terrorism, social unrest and civil disturbances, may impair a borrower’s ability to repay its loans.

Inflation-Indexed Bonds: Inflation-indexed bonds (other than municipal inflation-indexed and certain corporate inflation-indexed bonds) are fixed- income securities whose principal value is periodically adjusted according to the rate of inflation. If the index measuring inflation rises or falls, the principal value of inflation-indexed bonds (other than municipal inflation-indexed and certain corporate inflation-indexed bonds) will be adjusted upward or downward, and consequently the interest payable on these securities (calculated with respect to a larger or smaller principal amount) will be increased or reduced, respectively. Any upward or downward adjustment in the principal amount of an inflation-indexed bond will be included as interest income in the Consolidated Statement of Operations, even though investors do not receive their principal until maturity. Repayment of the original bond principal upon maturity (as adjusted for inflation) is guaranteed in the case of U.S. Treasury inflation-indexed bonds. For bonds that do not provide a similar guarantee, the adjusted principal value of the bond repaid at maturity may be less than the original principal. With regard to municipal inflation-indexed bonds and certain corporate inflation-indexed bonds, the inflation adjustment is typically reflected in the semi-annual coupon payment. As a result, the principal value of municipal inflation-indexed bonds and such corporate inflation-indexed bonds does not adjust according to the rate of inflation.

Multiple Class Pass-Through Securities: Multiple class pass-through securities, including collateralized mortgage obligations (“CMOs”) and commercial mortgage-backed securities, may be issued by Ginnie Mae, U.S. Government agencies or instrumentalities or by trusts formed by private originators of, or investors in, mortgage loans. In general, CMOs are debt obligations of a legal entity that are collateralized by a pool of residential or commercial mortgage loans or Mortgage Assets. The payments on these are used to make payments on the CMOs or multiple pass-through securities. Multiple class pass-through securities represent direct ownership interests in the Mortgage Assets. Classes of CMOs include interest only (“IOs”), principal only (“POs”), planned amortization classes and targeted amortization classes. IOs and POs are stripped mortgage-backed securities representing interests in a pool of mortgages, the cash flow from which has been separated into interest and principal components. IOs receive the interest portion of the cash flow while POs receive the principal portion. IOs and POs can be extremely volatile in response to changes in interest rates. As interest rates rise and fall, the value of IOs tends to move in the same direction as interest rates. POs perform best when prepayments on the underlying mortgages rise since this increases the rate at which the principal is returned and the yield to maturity on the PO. When payments on mortgages underlying a PO are slower than anticipated, the life of the PO is lengthened and the yield to maturity is reduced. If the underlying Mortgage Assets experience greater than anticipated prepayments of principal, a fund’s initial investment in the IOs may not fully recoup.

Zero-Coupon Bonds: Zero-coupon bonds are normally issued at a significant discount from face value and do not provide for periodic interest payments. These bonds may experience greater volatility in market value than other debt obligations of similar maturity which provide for regular interest payments.

Capital Securities and Trust Preferred Securities: Capital securities, including trust preferred securities, are typically issued by corporations, generally in the form of interest-bearing notes with preferred securities characteristics. In the case of trust preferred securities, an affiliated business trust of a corporation issues these securities, generally in the form of beneficial interests in subordinated debentures or similarly structured securities. The securities can be structured with either a fixed or adjustable coupon that can have either a perpetual or stated maturity date. For trust preferred securities, the issuing bank or corporation pays interest to the trust, which is then distributed to holders of these securities as a dividend. Dividends can be deferred without creating an event of default or acceleration, although maturity cannot take place unless all cumulative payment obligations have been met. The deferral of payments does not affect the purchase or sale of these securities in the open market. These securities generally are rated below that of the issuing company’s senior debt securities and are freely callable at the issuer’s option.

Preferred Stocks: Preferred stock has a preference over common stock in liquidation (and generally in receiving dividends as well) but is subordinated to the liabilities of the issuer in all respects. As a general rule, the market value of preferred stock with a fixed dividend rate and no conversion element varies inversely with interest rates and perceived credit risk, while the market price of convertible preferred stock generally also reflects some element of conversion value. Because preferred stock is junior to debt securities and other obligations of the issuer, deterioration in the credit quality of the issuer will cause greater changes in the value of a preferred stock than in a more senior debt security with similar stated yield characteristics. Unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Preferred stock also may be subject to optional or mandatory redemption provisions.

Floating Rate Loan Interests: Floating rate loan interests are typically issued to companies (the "borrower") by banks, other financial institutions, or privately and publicly offered corporations (the "lender"). Floating rate loan interests are generally non-investment grade, often involve borrowers whose financial condition is troubled or uncertain and companies that are highly leveraged or in bankruptcy proceedings. In addition, transactions in floating rate loan interests may settle on a delayed basis, which may result in proceeds from the sale not being readily available for a fund to make additional investments or meet its redemption obligations. Floating rate loan interests may include fully funded term loans or revolving lines of credit. Floating rate loan interests are typically senior in the corporate capital structure of the borrower. Floating rate loan interests generally pay interest at rates that are periodically determined by reference to a base lending rate plus a premium. Since the rates reset only periodically, changes in prevailing interest rates (and particularly sudden and significant changes) can be expected to cause some fluctuations in the NAV of a fund to the extent that it invests in floating rate loan interests. The base lending rates are generally the lending rate offered by one or more European banks, such as the London Interbank Offered Rate ("LIBOR"), the prime rate offered by one or more U.S. banks or the certificate of deposit rate. Floating rate loan interests may involve foreign borrowers, and investments may be denominated in foreign currencies. These investments are treated as investments in debt securities for purposes of a fund's investment policies.

When a fund purchases a floating rate loan interest, it may receive a facility fee and when it sells a floating rate loan interest, it may pay a facility fee. On an ongoing basis, a fund may receive a commitment fee based on the undrawn portion of the underlying line of credit amount of a floating rate loan interest. Facility and commitment fees are typically amortized to income over the term of the loan or term of the commitment, respectively. Consent and amendment fees are recorded to income as earned. Prepayment penalty fees, which may be received by a fund upon the prepayment of a floating rate loan interest by a borrower, are recorded as realized gains. A fund may invest in multiple series or tranches of a loan. A different series or tranche may have varying terms and carry different associated risks.

Floating rate loan interests are usually freely callable at the borrower's option. A fund may invest in such loans in the form of participations in loans ("Participations") or assignments ("Assignments") of all or a portion of loans from third parties. Participations typically will result in a fund having a contractual relationship only with the lender, not with the borrower. A fund has the right to receive payments of principal, interest and any fees to which it is entitled only from the lender selling the Participation and only upon receipt by the lender of the payments from the borrower. In connection with purchasing Participations, a fund generally will have no right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of offset against the borrower. A fund may not benefit directly from any collateral supporting the loan in which it has purchased the Participation. As a result, a fund assumes the credit risk of both the borrower and the lender that is selling the Participation. A fund's investment in loan participation interests involves the risk of insolvency of the financial intermediaries who are parties to the transactions. In the event of the insolvency of the lender selling the Participation, a fund may be treated as a general creditor of the lender and may not benefit from any offset between the lender and the borrower. Assignments typically result in a fund having a direct contractual relationship with the borrower, and a fund may enforce compliance by the borrower with the terms of the loan agreement.

Short Sale Transactions: In short sale transactions, a fund sells a security it does not hold in anticipation of a decline in the market price of that security. When a fund makes a short sale, it will borrow the security sold short from a broker/counterparty and deliver the security to the purchaser. To close out a short position, a fund delivers the same security to the broker and records a liability to reflect the obligation to return the security to the broker. The amount of the liability is subsequently marked-to-market to reflect the market value of the short sale. A fund maintains a segregated account of securities or deposits cash with the broker-dealer as collateral for the short sales. Cash deposited with the broker is recorded as an asset in the Consolidated Statement of Assets and Liabilities. Securities segregated as collateral are denoted in the Consolidated Schedule of Investments. A fund may pay a financing fee for the difference between the market value of the short position and the cash collateral deposited with the broker which would be recorded as interest expense. A fund is required to repay the counterparty any dividends received on the security sold short, which, if applicable, is shown as dividend expense in the Consolidated Statement of Operations. A fund may pay a fee on the assets borrowed from the counterparty, which, if applicable, is shown as broker fees and expenses on short sales in the Consolidated Statement of Operations. A fund is exposed to market risk based on the amount, if any, that the market value of the security increases beyond the market value at which the position was sold. Thus, a short sale of a security involves the risk that instead of declining, the price of the security sold short will rise. The short sale of securities involves the possibility of an unlimited loss since there is an unlimited potential for the market price of the security sold short to increase. A gain is limited to the price at which a fund sold the security short. A realized gain or loss is recognized upon the termination of a short sale if the market price is either less than or greater than the proceeds originally received. There is no assurance that a fund will be able to close out a short position at a particular time or at an acceptable price.

Securities Lending: The Fund may lend its securities to approved borrowers, such as brokers, dealers and other financial institutions. The borrower pledges and maintains with the Fund collateral consisting of cash, an irrevocable letter of credit issued by a bank, or securities issued or guaranteed by the U.S. Government. The initial collateral received by the Fund is required to have a value of at least 102% of the current value of the loaned securities for securities traded on U.S. exchanges and a value of at least 105% for all other securities. The collateral is maintained thereafter at a value equal to at least 100% of the current market value of the securities on loan. The market value of the loaned securities is determined at the close of each business day of the Fund and any additional required collateral is delivered to the Fund, or excess collateral returned by the Fund, on the next business day. During the term of the loan, the Fund is entitled to all distributions made on or in respect of the loaned securities, but does not receive interest income on securities received as collateral. Loans of securities are terminable at any time and the borrower, after notice, is required to return borrowed securities within the standard time period for settlement of securities transactions.

The market value of any securities on loan, all of which were classified as common or preferred stocks in the Fund's Consolidated Schedule of Investments, and the value of any related collateral are shown separately in the Consolidated Statement of Assets and Liabilities as a component of investments at value — unaffiliated, and collateral on securities loaned at value, respectively. As of period end, any securities on loan were collateralized by cash and/or U.S. Government obligations. Cash collateral invested by the securities lending agent, BlackRock Investment Management, LLC ("BIM"), if any, is disclosed in the Consolidated Schedule of Investments.

Securities lending transactions are entered into by the Fund under Master Securities Lending Agreements (each, an "MSLA"), which provide the right, in the event of default (including bankruptcy or insolvency), for the non-defaulting party to liquidate the collateral and calculate a net exposure to the defaulting party or request additional collateral. In the event that a borrower defaults, the Fund, as lender, would offset the market value of the collateral received against the market value of the securities loaned. When the value of the collateral is greater than that of the market value of the securities loaned, the lender is left with a net amount payable to the defaulting party. However, bankruptcy or insolvency laws of a particular jurisdiction may impose restrictions on or prohibitions against such a right of offset in the event of an MSLA counterparty's bankruptcy or insolvency. Under the MSLA, absent an event of default, the borrower can resell or re-pledge the loaned securities, and the Fund can reinvest cash collateral received in connection with loaned securities. Upon an event of default, the parties' obligations to return the securities or collateral to the other party are extinguished, and the parties can resell or re-pledge the loaned securities or the collateral received in connection with the loaned securities in order to satisfy the defaulting party's net payment obligation for all transactions under the MSLA. The defaulting party remains liable for any deficiency.

As of period end, the following table is a summary of the Fund's securities lending agreements by counterparty which are subject to offset under an MSLA:

Counterparty	*Securities Loaned at Value*	*Cash Collateral Received* [(a)]	*Net Amount* [(b)]
Citigroup Global Markets Inc.	$ 15,461,491	$ (15,461,491)	$ —
Credit Suisse Securities (USA) LLC	43,500,825	(43,500,825)	—
Deutsche Bank Securities Inc.	320,485	(320,485)	—
Goldman Sachs & Co.	3,582,871	(3,582,871)	—
JP Morgan Securities LLC	88,387,709	(88,387,709)	—
Merrill Lynch, Pierce, Fenner & Smith	8,243,881	(8,124,662)	119,219
Morgan Stanley & Co. LLC	24,607,058	(24,607,058)	—
Nomura Securities International Inc.	18,667,251	(18,667,251)	—
State Street Bank & Trust Co.	929,753	(929,753)	—
UBS Securities LLC	1,757,950	(1,757,950)	—
	$ 205,459,274	$ (205,340,055)	$119,219

(a) Cash collateral with a value of $209,469,852 has been received in connection with securities lending agreements. Collateral received in excess of the value of securities loaned from the individual counterparty, if any, is not shown for financial reporting purposes in the table above.

(b) The market value of the loaned securities is determined as of December 31, 2018. Additional collateral is delivered to the Fund on the next business day in accordance with the MSLA. The net amount would be subject to the borrower default indemnity in the event of default by the counterparty.

The risks of securities lending include the risk that the borrower may not provide additional collateral when required or may not return the securities when due. To mitigate these risks, the Fund benefits from a borrower default indemnity provided by BIM. BIM's indemnity allows for full replacement of the securities loaned if the collateral received does not cover the value on the securities loaned in the event of borrower default. The Fund could incur a loss if the value of an investment purchased with cash collateral falls below the market value of loaned securities or if the value of an investment purchased with cash collateral falls below the value of the original cash collateral received.

5. DERIVATIVE FINANCIAL INSTRUMENTS

The Fund engages in various portfolio investment strategies using derivative contracts both to increase the returns of the Fund and/or to manage its exposure to certain risks such as credit risk, equity risk, interest rate risk, foreign currency exchange rate risk, commodity price risk or other risks (e.g. inflation risk). Derivative financial instruments categorized by risk exposure are included in the Consolidated Schedule of Investments. These contracts may be transacted on an exchange or OTC.

Futures Contracts: Futures contracts are purchased or sold to gain exposure to, or manage exposure to, changes in interest rates (interest rate risk) and changes in the value of equity securities (equity risk) or foreign currencies (foreign currency exchange rate risk).

Futures contracts are agreements between the Fund and a counterparty to buy or sell a specific quantity of an underlying instrument at a specified price and on a specified date. Depending on the terms of a contract, it is settled either through physical delivery of the underlying instrument on the settlement date or by payment of a cash amount on the settlement date. Upon entering into a futures contract, the Fund is required to deposit initial margin with the broker in the form of cash or securities in an amount that varies depending on a contract's size and risk profile. The initial margin deposit must then be maintained at an established level over the life of the contract. Amounts pledged, which are considered restricted, are included in cash pledged for futures contracts on the Consolidated Statement of Assets and Liabilities.

Securities deposited as initial margin are designated in the Consolidated Schedule of Investments and cash deposited, if any, are shown as cash pledged for futures contracts in the Consolidated Statement of Assets and Liabilities. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in market value of the contract ("variation margin"). Variation margin is recorded as unrealized appreciation (depreciation) and, if any, shown as variation margin receivable (or payable) on futures contracts in the Consolidated Statement of Assets and Liabilities. When the contract is closed, a realized gain or loss is recorded in the Consolidated Statement of Operations equal to the difference between the notional amount of the contract at the time it was opened and the notional amount at the time it was closed. The use of futures contracts involves the risk of an imperfect correlation in the movements in the price of futures contracts and interest, foreign currency exchange rates or underlying assets.

Forward Foreign Currency Exchange Contracts: Forward foreign currency exchange contracts are entered into to gain or reduce exposure to foreign currencies (foreign currency exchange rate risk).

A forward foreign currency exchange contract is an agreement between two parties to buy and sell a currency at a set exchange rate on a specified date. These contracts help to manage the overall exposure to the currencies in which some of the investments held by the Fund are denominated and in some cases, may be used to obtain exposure to a particular market.

The contract is marked-to-market daily and the change in market value is recorded as unrealized appreciation (depreciation) in the Consolidated Statement of Assets and Liabilities. When a contract is closed, a realized gain or loss is recorded in the Consolidated Statement of Operations equal to the difference between the value at the time it was opened and the value at the time it was closed. Non-deliverable forward foreign currency exchange contracts are settled with the counterparty in cash without the delivery of foreign currency. The use of forward foreign currency exchange contracts involves the risk that the value of a forward foreign currency exchange contract changes unfavorably due to movements in the value of the referenced foreign currencies. Cash amounts pledged for forward foreign currency exchange contracts are considered restricted and are included in cash pledged as collateral for OTC derivatives on the Consolidated Statement of Assets and Liabilities.

Options: The Fund purchases and writes call and put options to increase or decrease its exposure to the risks of underlying instruments, including equity risk, interest rate risk and/or commodity price risk and/or, in the case of options written, to generate gains from options premiums.

A call option gives the purchaser (holder) of the option the right (but not the obligation) to buy, and obligates the seller (writer) to sell (when the option is exercised) the underlying instrument at the exercise or strike price at any time or at a specified time during the option period. A put option gives the holder the right to sell and obligates the writer to buy the underlying instrument at the exercise or strike price at any time or at a specified time during the option period.

Premiums paid on options purchased and premiums received on options written, as well as the daily fluctuation in market value, are included in investments at value — unaffiliated and options written at value, respectively, in the Consolidated Statement of Assets and Liabilities. When an instrument is purchased or sold through the exercise of an option, the premium is offset against the cost or proceeds of the underlying instrument. When an option expires, a realized gain or loss is recorded in the Consolidated Statement of Operations to the extent of the premiums received or paid. When an option is closed or sold, a gain or loss is recorded in the Consolidated Statement of Operations to the extent the cost of the closing transaction exceeds the premiums received or paid. When the Fund writes a call option, such option is typically “covered,” meaning that it holds the underlying instrument subject to being called by the option counterparty. When the Fund writes a put option, such option is covered by cash in an amount sufficient to cover the obligation. These amounts, which are considered restricted, are included in cash pledged as collateral for options written on the Consolidated Statement of Assets and Liabilities.

- Swaptions — The Fund purchases and writes options on swaps (“swaptions”) primarily to preserve a return or spread on a particular investment or portion of the Fund’s holdings, as a duration management technique or to protect against an increase in the price of securities it anticipates purchasing at a later date. The purchaser and writer of a swaption is buying or granting the right to enter into a previously agreed upon interest rate or credit default swap agreement (interest rate risk and/or credit risk) at any time before the expiration of the option.

- Foreign currency options — The Fund purchases and writes foreign currency options, foreign currency futures and options on foreign currency futures to gain or reduce exposure to foreign currencies (foreign currency exchange rate risk). Foreign currency options give the purchaser the right to buy from or sell to the writer a foreign currency at any time before the expiration of the option.

In purchasing and writing options, the Fund bears the risk of an unfavorable change in the value of the underlying instrument or the risk that it may not be able to enter into a closing transaction due to an illiquid market. Exercise of a written option could result in the Fund purchasing or selling a security when it otherwise would not, or at a price different from the current market value.

Swaps: Swap contracts are entered into to manage exposure to issuers, markets and securities. Such contracts are agreements between the Fund and a counterparty to make periodic net payments on a specified notional amount or a net payment upon termination. Swap agreements are privately negotiated in the OTC market and may be entered into as a bilateral contract (“OTC swaps”) or centrally cleared (“centrally cleared swaps”).

For OTC swaps, any upfront premiums paid and any upfront fees received are shown as swap premiums paid and swap premiums received, respectively, in the Consolidated Statement of Assets and Liabilities and amortized over the term of the contract. The daily fluctuation in market value is recorded as unrealized appreciation (depreciation) on OTC Swaps in the Consolidated Statement of Assets and Liabilities. Payments received or paid are recorded in the Consolidated Statement of Operations as realized gains or losses, respectively. When an OTC swap is terminated, a realized gain or loss is recorded in the Consolidated Statement of Operations equal to the difference between the proceeds from (or cost of) the closing transaction and the Fund’s basis in the contract, if any. Generally, the basis of the contract is the premium received or paid.

In a centrally cleared swap, immediately following execution of the swap contract, the swap contract is novated to a central counterparty (the “CCP”) and the Fund’s counterparty on the swap agreement becomes the CCP. The Fund is required to interface with the CCP through the broker. Upon entering into a centrally cleared swap, the Fund is required to deposit initial margin with the broker in the form of cash or securities in an amount that varies depending on the size and risk profile of the particular swap. Securities deposited as initial margin are designated in the Consolidated Schedule of Investments and cash deposited is shown as cash pledged for centrally cleared swaps in the Consolidated Statement of Assets and Liabilities. Amounts pledged, which are considered restricted cash, are included in cash pledged for centrally cleared swaps on the Consolidated Statement of Assets and Liabilities. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in market value of the contract (“variation margin”). Variation margin is recorded as unrealized appreciation (depreciation) and shown as variation margin receivable (or payable) on centrally cleared swaps in the Consolidated Statement of Assets and Liabilities. Payments received from (paid to) the counterparty, including at termination, are recorded as realized gains (losses) in the Consolidated Statement of Operations.

- Credit default swaps — Credit default swaps are entered into to manage exposure to the market or certain sectors of the market, to reduce its risk exposure to defaults of corporate and/or sovereign issuers or to create exposure to corporate and/or sovereign issuers to which a fund is not otherwise exposed (credit risk).

  The Fund may either buy or sell (write) credit default swaps on single-name issuers (corporate or sovereign), a combination or basket of single-name issuers or traded indexes. Credit default swaps are agreements in which the protection buyer pays fixed periodic payments to the seller in consideration for a promise from the protection seller to make a specific payment should a negative credit event take place with respect to the referenced entity (e.g., bankruptcy, failure to pay, obligation acceleration, repudiation, moratorium or restructuring). As a buyer, if an underlying credit event occurs, the Fund will either (i) receive from the seller an amount equal to the notional amount of the swap and deliver the referenced security or underlying securities comprising the index, or (ii) receive a net settlement of cash equal to the notional amount of the swap less the recovery value of the security or underlying securities comprising the index. As a seller (writer), if an underlying credit event occurs, the Fund will either pay the buyer an amount equal to the notional amount of the swap and take delivery of the referenced security or underlying securities comprising the index or pay a net settlement of cash equal to the notional amount of the swap less the recovery value of the security or underlying securities comprising the index.

- Total return swaps — Total return swaps are entered into to obtain exposure to a security or market without owning such security or investing directly in such market or to exchange the risk/return of one market (e.g., fixed-income) with another market (e.g., equity or commodity prices) (equity risk, commodity price risk and/or interest rate risk).

  Total return swaps are agreements in which there is an exchange of cash flows whereby one party commits to make payments based on the total return (distributions plus capital gains/losses) of an underlying instrument in exchange for fixed or floating rate interest payments. If the total return of the instrument or index underlying the transaction exceeds or falls short of the offsetting fixed or floating interest rate obligation, the Fund receives payment from or makes a payment to the counterparty.

- Interest rate swaps — Interest rate swaps are entered into to gain or reduce exposure to interest rates or to manage duration, the yield curve or interest rate (interest rate risk).

  Interest rate swaps are agreements in which one party pays a stream of interest payments, either fixed or floating, in exchange for another party's stream of interest payments, either fixed or floating, on the same notional amount for a specified period of time. In more complex interest rate swaps, the notional principal amount may decline (or amortize) over time.

- Forward swaps — The Fund enters into forward interest rate swaps and forward total return swaps. In a forward swap, the Fund and the counterparty agree to make periodic net payments beginning on a specified date or a net payment at termination.

Swap transactions involve, to varying degrees, elements of interest rate, credit and market risk in excess of the amounts recognized in the Consolidated Statement of Assets and Liabilities. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to the agreements may default on its obligation to perform or disagree as to the meaning of the contractual terms in the agreements, and that there may be unfavorable changes in interest rates and/or market values associated with these transactions.

Master Netting Arrangements: In order to define its contractual rights and to secure rights that will help it mitigate its counterparty risk, the Fund may enter into an International Swaps and Derivatives Association, Inc. Master Agreement ("ISDA Master Agreement") or similar agreement with its counterparties. An ISDA Master Agreement is a bilateral agreement between the Fund and a counterparty that governs certain OTC derivatives and typically contains, among other things, collateral posting terms and netting provisions in the event of a default and/or termination event. Under an ISDA Master Agreement, the Fund may, under certain circumstances, offset with the counterparty certain derivative financial instruments' payables and/or receivables with collateral held and/or posted and create one single net payment. The provisions of the ISDA Master Agreement typically permit a single net payment in the event of default including the bankruptcy or insolvency of the counterparty. Bankruptcy or insolvency laws of a particular jurisdiction may restrict or prohibit the right of offset in bankruptcy, insolvency or other events.

Collateral Requirements: For derivatives traded under an ISDA Master Agreement, the collateral requirements are typically calculated by netting the mark-to-market amount for each transaction under such agreement and comparing that amount to the value of any collateral currently pledged by the Fund and the counterparty.

Cash collateral that has been pledged to cover obligations of the Fund and cash collateral received from the counterparty, if any, is reported separately on the Consolidated Statement of Assets and Liabilities as cash pledged as collateral and cash received as collateral, respectively. Non-cash collateral pledged by the Fund, if any, is noted in the Consolidated Schedule of Investments. Generally, the amount of collateral due from or to a counterparty is subject to a certain minimum transfer amount threshold before a transfer is required, which is determined at the close of business of the Fund. Any additional required collateral is delivered to/pledged by the Fund on the next business day. Typically, the counterparty is not permitted to sell, re-pledge or use cash and non-cash collateral it receives. The Fund generally agrees not to use non-cash collateral that it receives but may, absent default or certain other circumstances defined in the underlying ISDA Master Agreement, be permitted to use cash collateral received. In such cases, interest may be paid pursuant to the collateral arrangement with the counterparty. To the extent amounts due to the Fund from its counterparties are not fully collateralized, it bears the risk of loss from counterparty non-performance. Likewise, to the extent the Fund has delivered collateral to a counterparty and stands ready to perform under the terms of its agreement with such counterparty, it bears the risk of loss from a counterparty in the amount of the value of the collateral in the event the counterparty fails to return such collateral. Based on the terms of agreements, collateral may not be required for all derivative contracts.

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

6. INVESTMENT ADVISORY AGREEMENT AND OTHER TRANSACTIONS WITH AFFILIATES

Investment Advisory: The Company, on behalf of the Fund, entered into an Investment Advisory Agreement with the Manager, the Fund's investment adviser and an indirect, wholly-owned subsidiary of BlackRock, to provide investment advisory and administrative services. The Manager is responsible for the management of the Fund's portfolio and provides the personnel, facilities, equipment and certain other services necessary to the operations of the Fund.

For such services, the Fund pays the Manager a monthly fee at an annual rate equal to the following percentages of the average daily value of the Fund's net assets:

Average Daily Net Assets	*Investment Advisory Fees*
First $6 Billion	0.65%
$6 Billion — $8 Billion	0.61
$8 Billion — $10 Billion	0.59
$10 Billion — $15 Billion	0.57
Greater than $15 Billion	0.55

The Manager provides investment management and other services to the Subsidiary. The Manager does not receive separate compensation from the Subsidiary for providing investment management or administrative services. However, the Fund pays the Manager based on the Fund's net assets, which includes the assets of the Subsidiary.

Distribution Fees: The Company, on behalf of the Fund, entered into a Distribution Agreement and a Distribution Plan with BlackRock Investments, LLC ("BRIL"), an affiliate of the Manager. Pursuant to the Distribution Plan and in accordance with Rule 12b-1 under the 1940 Act, the Fund pays BRIL ongoing distribution fees. The fees are accrued daily and paid monthly at annual rates based upon the average daily net assets of the relevant share class of the Fund as follows:

	Class II	*Class III*
Distribution Fees	0.15%	0.25%

BRIL and broker-dealers, pursuant to sub-agreements with BRIL, provide shareholder servicing and distribution services to the Fund. The ongoing service and/or distribution fee compensates BRIL and each broker-dealer for providing shareholder servicing and/or distribution related services to shareholders.

For the year ended December 31, 2018, the following table shows the class specific distribution fees borne directly by each share class of the Fund:

	Class II	*Class III*	*Total*
Distribution Fees	$366,653	$19,191,506	$19,558,159

Transfer Agent: On behalf of the Fund, the Manager entered into agreements with insurance companies and other financial intermediaries ("Service Organizations"), some of which may be affiliates. Pursuant to these agreements, the Service Organizations provide the Fund with administrative, networking, recordkeeping, sub-transfer agency and shareholder services to sub-accounts they service. For these services, the Service Organizations receive an annual fee per shareholder account, which will vary depending on share class and/or net assets of Fund shareholders serviced by the Service Organizations which is shown as transfer agent – class specific. For the year ended December 31, 2018, the Fund did not pay any amounts to affiliates in return for these services.

In addition, the Fund pays the transfer agent, which is not an affiliate, a fee for the issuance, transfer and redemption of shares and the opening and maintenance of shareholder accounts, which is included in transfer agent in the Consolidated Statement of Operations.

For the year ended December 31, 2018, the following table shows the class specific transfer agent fees borne directly by each share class of the Fund:

Class I	*Class II*	*Class III*	*Total*
$1,742,824	$520,894	$16,261,937	$18,525,655

Expense Limitations, Waivers and Reimbursements: With respect to the Fund, the Manager voluntarily agreed to waive its investment advisory fees by the amount of investment advisory fees the Fund pays to the Manager indirectly through its investment in affiliated money market funds (the "affiliated money market fund waiver"). The amount of waivers and/or reimbursements of fees and expenses made pursuant to the expense limitation described below will be reduced by the amount of the affiliated money market fund waiver. This amount is included in fees waived and/or reimbursed by the Manager in the Consolidated Statement of Operations. For the year ended December 31, 2018, the amount waived was $7,767.

The Manager has contractually agreed to waive its investment advisory fee with respect to any portion of the Fund's assets invested in affiliated equity and fixed-income mutual funds and affiliated exchange-traded funds that have a contractual management fee through April 30, 2019. The contractual agreement may be terminated upon 90 days' notice by a majority of the directors who are not "interested persons" of the Fund, as defined in the 1940 Act ("Independent Directors"), or by a vote of a majority of the outstanding voting securities of the Fund. This amount is included in fees waived and/or reimbursed by the Manager in the Consolidated Statement of Operations. For the year ended December 31, 2018, the Fund waived $417,293 in investment advisory fees pursuant to this arrangement.

For the year ended December 31, 2018, the Fund reimbursed the Manager $107,664 for certain accounting services, which is included in accounting services in the Consolidated Statement of Operations.

The Manager has contractually agreed to reimburse transfer agent fees in order to limit such expenses to a percentage of average daily net assets as follows:

Class I	0.07%
Class II	0.07
Class III	0.07

The Manager has agreed not to reduce or discontinue this contractual expense limitation through April 30, 2019, unless approved by the Board, including a majority of the Independent Directors, or by a vote of a majority of the outstanding voting securities of the Fund.

These amounts waived and/or reimbursed are shown as transfer agent fees waived and/or reimbursed — class specific in the Consolidated Statement of Operations. For the year ended December 31, 2018, class specific expense waivers and/or reimbursements are as follows:

	Class I	*Class II*	*Class III*	*Total*
Transfer Agent Fees Waived and/or Reimbursed	$152,036	$349,849	$10,890,776	$11,392,661

With respect to the Fund, the Manager contractually agreed to waive and/or reimburse fees or expenses in order to limit expenses, excluding interest expense, dividend expense, tax expense, acquired fund fees and expenses, and certain other fund expenses, which constitute extraordinary expenses not incurred in the ordinary course of the Fund's business ("expense limitation"). The expense limitations as a percentage of average daily net assets are as follows:

Class I	*Class II*	*Class III*
1.25%	1.40%	1.50%

The Manager has agreed not to reduce or discontinue this contractual expense limitation through April 30, 2019, unless approved by the Board, including a majority of the Independent Directors, or by a vote of a majority of the outstanding voting securities of the Fund. For the year ended December 31, 2018, there were no fees waived and/or reimbursed by the Manager.

Securities Lending: The U.S. Securities and Exchange Commission ("SEC") has issued an exemptive order which permits BIM, an affiliate of the Manager, to serve as securities lending agent for the Fund, subject to applicable conditions. As securities lending agent, BIM bears all operational costs directly related to securities lending. The Fund is responsible for expenses in connection with the investment of cash collateral received for securities on loan (the "collateral investment expenses"). The cash collateral is invested in a private investment company managed by the Manager or its affiliates. However, BIM has agreed to cap the collateral investment expenses of the private investment company to an annual rate of 0.04%. The investment adviser to the private investment company will not charge any advisory fees with respect to shares purchased by the Fund. The private investment company in which the cash collateral has been invested may, under certain circumstances, impose a liquidity fee of up to 2% of the value withdrawn or temporarily restrict withdrawals for up to 10 business days during a 90 day period, in the event that the private investment company's weekly liquid assets fall below certain thresholds.

Securities lending income is equal to the total of income earned from the reinvestment of cash collateral, net of fees and other payments to and from borrowers of securities, and less the collateral investment expenses. The Fund retains a portion of securities lending income and remits a remaining portion to BIM as compensation for its services as securities lending agent.

Pursuant to a securities lending agreement, the Fund retains 80% of securities lending income, and this amount retained can never be less than 70% of the total of securities lending income plus the collateral investment expenses.

In addition, commencing the business day following the date that the aggregate securities lending income earned across the Equity-Bond Complex in a calendar year exceeds a specified threshold, the Fund, pursuant to the securities lending agreement, will retain for the remainder of that calendar year securities lending income in an amount equal to 85% of securities lending income, and this amount retained can never be less than 70% of the total of securities lending income plus the collateral investment expenses.

The share of securities lending income earned by the Fund is shown as securities lending income — affiliated — net in the Consolidated Statement of Operations. For the year ended December 31, 2018, the Fund paid BIM $245,137 for securities lending agent services.

Interfund Lending: In accordance with an exemptive order (the "Order") from the SEC, the Fund may participate in a joint lending and borrowing facility for temporary purposes (the "Interfund Lending Program"), subject to compliance with the terms and conditions of the Order, and to the extent permitted by the Fund's investment policies and restrictions. The Fund is currently permitted to borrow under the Interfund Lending Program.

A lending BlackRock fund may lend in aggregate up to 15% of its net assets, but may not lend more than 5% of its net assets to any one borrowing fund through the Interfund Lending Program. A borrowing BlackRock fund may not borrow through the Interfund Lending Program or from any other source more than 33 1/3% of its total assets (or any lower threshold provided for by the fund's investment restrictions). If a borrowing BlackRock fund's total outstanding borrowings exceed 10% of its total assets, each of its outstanding interfund loans will be subject to collateralization of at least 102% of the outstanding principal value of the loan. All interfund loans are for temporary or emergency purposes and the interest rate to be charged will be the average of the highest current overnight repurchase agreement rate available to a lending fund and the bank loan rate, as calculated according to a formula established by the Board.

During the year ended December 31, 2018, the Fund did not participate in the Interfund Lending Program.

Directors and Officers: Certain directors and/or officers of the Company are directors and/or officers of BlackRock or its affiliates. The Fund reimburses the Manager for a portion of the compensation paid to the Company's Chief Compliance Officer, which is included in Directors and Officer in the Consolidated Statement of Operations.

Other Transactions: The Fund may purchase securities from, or sell securities to, an affiliated fund provided the affiliation is due solely to having a common investment adviser, common officers, or common directors. For the year ended December 31, 2018, the purchase and sale transactions and any net realized gains (losses) with affiliated funds in compliance with Rule 17a-7 under the 1940 Act were as follows:

Purchases	$3,428,103
Sales	8,896,743
Net Realized Gain	227,062

7. PURCHASES AND SALES

For the year ended December 31, 2018, purchases and sales of investments, including paydowns and excluding short-term securities, were as follows:

	Purchases	Sales
Non-U.S. Government Securities	$4,626,472,232	$5,708,553,584
U.S. Government Securities	8,744,460,876	8,298,293,914

8. INCOME TAX INFORMATION

It is the Fund's policy to comply with the requirements of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies, and to distribute substantially all of its taxable income to its shareholders. Therefore, no U.S. federal income tax provision is required.

The Fund files U.S. federal and various state and local tax returns. No income tax returns are currently under examination. The statute of limitations on the Fund's U.S. federal tax returns generally remains open for each of the four years ended December 31, 2018. The statutes of limitations on the Fund's state and local tax returns may remain open for an additional year depending upon the jurisdiction.

Management has analyzed tax laws and regulations and their application to the Fund as of December 31, 2018, inclusive of the open tax return years, and does not believe that there are any uncertain tax positions that require recognition of a tax liability in the Fund's financial statements.

U.S. GAAP requires that certain components of net assets be adjusted to reflect permanent differences between financial and tax reporting. These reclassifications have no effect on net assets or net asset values per share. As of period end, the following permanent difference was attributable to the characterization of expenses and income recognized from a wholly owned subsidiary were reclassified to the following accounts:

Paid-in capital	$(12,703,801)
Accumulated loss	$ 12,703,801

The tax character of distributions paid was as follows:

	12/31/2018	12/31/2017
Ordinary income	$ 91,433,239	$237,849,708
Long-term capital gains	409,734,085	17,464,647
	$501,167,324	$255,314,355

As of period end, the tax components of accumulated net earning (losses) were as follows:

Undistributed ordinary income	$ 6,395,417
Undistributed long-term capital gains	87,204,750
Net unrealized losses[a]	(286,738,792)
	$(193,138,625)

[a] The difference between book-basis and tax-basis net unrealized gains was attributable primarily to the tax deferral of losses on wash sales and straddles, the realization for tax purposes of unrealized gains on investments in passive foreign investment companies, the realization for tax purposes of unrealized gains / losses on certain futures and foreign currency contracts, the timing and recognition of partnership income, the accounting for swap agreements, the classification of investments, investment in a wholly owned subsidiary and dividends recognized for tax purposes.

As of December 31, 2018, gross unrealized appreciation and depreciation for investments and derivatives based on cost for U.S. federal income tax purposes were as follows:

Tax cost	$9,456,779,853
Gross unrealized appreciation	$ 509,377,710
Gross unrealized depreciation	(766,199,172)
Net unrealized depreciation	$ (256,821,462)

9. BANK BORROWINGS

The Company, on behalf of the Fund, along with certain other funds managed by the Manager and its affiliates ("Participating Funds"), is a party to a 364-day, $2.25 billion credit agreement with a group of lenders. Under this agreement, the Fund may borrow to fund shareholder redemptions. Excluding commitments designated for certain individual funds, the Participating Funds, including the Fund, can borrow up to an aggregate commitment amount of $1.75 billion at any time outstanding, subject to asset coverage and other limitations as specified in the agreement. The credit agreement has the following terms: a fee of 0.10% per annum on unused commitment amounts and interest at a rate equal to the higher of (a) one-month LIBOR (but, in any event, not less than 0.00%) on the date the loan is made plus 0.80% per annum or (b) the Fed Funds rate (but, in any event, not less than 0.00%) in effect from time to time plus 0.80% per annum on amounts borrowed. The agreement expires in April 2019 unless extended or renewed. Prior to April 19, 2018, the aggregate commitment amount was $2.1 billion and the fee was 0.12% per annum. Participating Funds paid an upfront commitment fee of 0.02% on the total commitment amounts, in addition to administration, legal and arrangement fees, which are included in miscellaneous expenses in the Consolidated Statement of Operations. These fees were allocated among such funds based upon portions of the aggregate commitment available to them and relative net assets of Participating Funds. During the year ended December 31, 2018, the Fund did not borrow under the credit agreement.

10. PRINCIPAL RISKS

In the normal course of business, the Fund invests in securities or other instruments and may enter into certain transactions, and such activities subject the Fund to various risks, including among others, fluctuations in the market (market risk) or failure of an issuer to meet all of its obligations. The value of securities or other instruments may also be affected by various factors, including, without limitation: (i) the general economy; (ii) the overall market as well as local, regional or global political and/or social instability; (iii) regulation, taxation or international tax treaties between various countries; or (iv) currency, interest rate and price fluctuations. The Fund's prospectus provides details of the risks to which the Fund is subject.

The Fund may be exposed to prepayment risk, which is the risk that borrowers may exercise their option to prepay principal earlier than scheduled during periods of declining interest rates, which would force the Fund to reinvest in lower yielding securities. The Fund may also be exposed to reinvestment risk, which is the risk that income from the Fund's portfolio will decline if the Fund invests the proceeds from matured, traded or called fixed-income securities at market interest rates that are below the Fund portfolio's current earnings rate.

The Fund may be exposed to additional risks when reinvesting cash collateral in money market funds that do not seek to maintain a stable NAV per share of $1.00, which may be subject to redemption gates or liquidity fees under certain circumstances.

Valuation Risk: The market values of equities, such as common stocks and preferred securities or equity related investments, such as futures and options, may decline due to general market conditions which are not specifically related to a particular company. They may also decline due to factors which affect a particular industry or industries. The Fund may invest in illiquid investments and may experience difficulty in selling those investments in a timely manner at the price that it believes the investments are worth. Prices may fluctuate widely over short or extended periods in response to company, market or economic news. Markets also tend to move in cycles, with periods of rising and falling prices. This volatility may cause the Fund's NAV to experience significant increases or decreases over short periods of time. If there is a general decline in the securities and other markets, the NAV of the Fund may lose value, regardless of the individual results of the securities and other instruments in which the Fund invests.

The price the Fund could receive upon the sale of any particular portfolio investment may differ from the Fund's valuation of the investment, particularly for securities that trade in thin or volatile markets or that are valued using a fair valuation technique or a price provided by an independent pricing service. Changes to significant unobservable inputs and assumptions (i.e., publicly traded company multiples, growth rate, time to exit) due to the lack of observable inputs may significantly impact the resulting fair value and therefore the Fund's results of operations. As a result, the price received upon the sale of an investment may be less than the value ascribed by the Fund, and the Fund could realize a greater than expected loss or lesser than expected gain upon the sale of the investment. The Fund's ability to value its investments may also be impacted by technological issues and/or errors by pricing services or other third party service providers.

Counterparty Credit Risk: The Fund may be exposed to counterparty credit risk, or the risk that an entity may fail to or be unable to perform on its commitments related to unsettled or open transactions. The Fund manages counterparty credit risk by entering into transactions only with counterparties that the Manager believes have the financial resources to honor their obligations and by monitoring the financial stability of those counterparties. Financial assets, which potentially expose the Fund to market, issuer and counterparty credit risks, consist principally of financial instruments and receivables due from counterparties. The extent of the Fund's exposure to market, issuer and counterparty credit risks with respect to these financial assets is approximately their value recorded in the Consolidated Statement of Assets and Liabilities, less any collateral held by the Fund.

A derivative contract may suffer a mark-to-market loss if the value of the contract decreases due to an unfavorable change in the market rates or values of the underlying instrument. Losses can also occur if the counterparty does not perform under the contract.

The Fund's risk of loss from counterparty credit risk on OTC derivatives is generally limited to the aggregate unrealized gain less the value of any collateral held by the Fund.

For OTC options purchased, the Fund bears the risk of loss of the amount of the premiums paid plus the positive change in market values net of any collateral held by 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. The Fund may be exposed to counterparty credit risk with respect to options written to the extent the Fund deposits collateral with its counterparty to a written option.

With exchange-traded options purchased and futures and centrally cleared swaps, there is less counterparty credit risk to the Fund since the exchange or clearinghouse, as counterparty to such instruments, guarantees against a possible default. The clearinghouse stands between the buyer and the seller of the contract; therefore, credit risk is limited to failure of the clearinghouse. While offset rights may exist under applicable law, the Fund does not have a contractual right of offset against a clearing broker or clearinghouse in the event of a default (including the bankruptcy or insolvency). Additionally, credit risk exists in exchange-traded futures and centrally cleared swaps with respect to initial and variation margin that is held in a clearing broker's customer accounts. While clearing brokers are required to segregate customer margin from their own assets, in the event that a clearing broker becomes insolvent or goes into bankruptcy and at that time there is a shortfall in the aggregate amount of margin held by the clearing broker for all its clients, typically the shortfall would be allocated on a pro rata basis across all the clearing broker's customers, potentially resulting in losses to the Fund.

Concentration Risk: The Fund invests a significant portion of its assets in fixed-income securities and/or uses derivatives tied to the fixed-income markets. Changes in market interest rates or economic conditions may affect the value and/or liquidity of such investments. Interest rate risk is the risk that prices of bonds and other fixed-income securities will increase as interest rates fall and decrease as interest rates rise. The Fund may be subject to a greater risk of rising interest rates due to the current period of historically low rates. The Federal Reserve has begun to raise the Federal Funds rate, and each increase results in more pronounced interest rate risk in the current market environment.

The Fund invests a significant portion of its assets in securities of issuers located in Europe or with significant exposure to European issuers or countries. The European financial markets have recently experienced volatility and adverse trends due to concerns about economic downturns in, or rising government debt levels of, several European countries. These events may spread to other countries in Europe and may affect the value and liquidity of certain of the Fund's investments.

The United Kingdom is scheduled to withdraw from the European Union in March 2019, which may introduce significant new uncertainties and instability in the financial markets across Europe.

As of period end, the Fund's investments had the following industry classifications:

Industry	*Percent of Long-Term Investments*
Diversified Financial Services	27%
Oil, Gas & Consumable Fuels	7
Banks	6
Health Care Providers & Services	5
Other[(a)]	55

[(a)] All other industries held was less than 5% of long-term investments.

11. CAPITAL SHARE TRANSACTIONS

Transactions in capital shares for each class were as follows:

	Year Ended 12/31/2018		*Year Ended 12/31/2017*	
	Shares	*Amount*	*Shares*	*Amount*
Class I				
Shares sold	10,941,451	$ 185,931,630	8,584,248	$ 143,679,674
Shares issued in reinvestment of distributions	6,174,089	95,191,192	2,672,740	46,050,926
Shares redeemed	(13,006,417)	(221,542,400)	(13,573,580)	(224,416,668)
Net increase (decrease)	4,109,123	$ 59,580,422	(2,316,592)	$ (34,686,068)
Class II				
Shares sold	764,329	$ 13,069,294	1,384,696	$ 23,128,223
Shares issued in reinvestment of distributions	698,218	10,743,143	320,419	5,499,573
Shares redeemed	(2,359,206)	(39,963,707)	(1,525,356)	(25,239,075)
Net increase (decrease)	(896,659)	$ (16,151,270)	179,759	$ 3,388,721
Class III				
Shares sold	7,408,038	$ 108,800,864	10,049,191	$ 144,899,286
Shares issued in reinvestment of distributions	29,081,385	383,334,183	13,347,588	197,591,823
Shares redeemed	(76,302,859)	(1,113,699,124)	(77,304,864)	(1,106,232,291)
Net decrease	(39,813,436)	$ (621,564,077)	(53,908,085)	$ (763,741,182)
Total Net Decrease	(36,600,972)	$ (578,134,925)	(56,044,918)	$ (795,038,529)

12. REGULATION S-X AMENDMENTS

On August 17, 2018, the SEC adopted amendments to certain disclosure requirements in Securities Act Release No. 33-10532, Disclosure Update and Simplification. The Fund has adopted the amendments pertinent to Regulation S-X in this shareholder report. The amendments impacted certain disclosure presentation on the Consolidated Statement of Assets and Liabilities, Consolidated Statements of Changes in Net Assets and Notes to Consolidated Financial Statements.

Prior year distribution information and distributions in excess of net investment income in the Consolidated Statements of Changes in Net Assets has been modified to conform to the current year presentation in accordance with the Regulation S-X changes.

Distributions for the year ended December 31, 2017 were classified as follows:

Share Class	*Net Investment Income*	*Net Realized Gain*
I	(29,375,286)	(22,847,673)
II	(2,933,651)	(2,565,922)
III	(102,989,429)	(94,602,394)

Distributions in excess of net investment income as of December 31, 2017 was $(47,766,850).

13. SUBSEQUENT EVENTS

Management has evaluated the impact of all subsequent events on the Fund through the date the consolidated financial statements were issued and has determined that there were no subsequent events requiring adjustment or additional disclosure in the consolidated financial statements.

Report of Independent Registered Public Accounting Firm

To the Shareholders of BlackRock Global Allocation V.I. Fund and the Board of Directors of BlackRock Variable Series Funds, Inc.:

Opinion on the Financial Statements and Financial Highlights

We have audited the accompanying consolidated statement of assets and liabilities of BlackRock Global Allocation V.I. Fund of BlackRock Variable Series Funds, Inc. and subsidiary (the "Fund"), including the consolidated schedule of investments, as of December 31, 2018, the related consolidated statement of operations for the year then ended, the consolidated statements of changes in net assets for each of the two years in the period then ended, the consolidated 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, 2018, 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, 2018, by correspondence with the custodian, agent banks and brokers; when replies were not received from agent banks or 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, 2019

We have served as the auditor of one or more BlackRock investment companies since 1992.

Glossary of Terms Used in this Report

Currency

AUD	Australian Dollar
BRL	Brazilian Real
CAD	Canadian Dollar
EUR	Euro
GBP	British Pound
JPY	Japanese Yen
MXN	Mexican Peso
NOK	Norwegian Krone
SEK	Swedish Krona
SGD	Singapore Dollar
USD	United States Dollar
ZAR	South African Rand

Portfolio Abbreviations

ADR	American Depositary Receipt
CDX	Credit Default Swap Index
CVA	Certification Van Aandelon (Dutch Certificate)
ETF	Exchange-Traded Fund
LIBOR	London Interbank Offered Rate
EURIBOR	Euro Interbank Offered Rate
NASDAQ	National Association of Securities Dealers Automated
OTC	Over-The-Counter
PCL	Public Company Limited
REIT	Real Estate Investment Trust
S&P	Standard & Poor's
SPDR	S&P Depository Receipt

Director and Officer Information

Independent Directors [a]

Name Year of Birth [b]	Position(s) Held (Length of Service) [c]	Principal Occupation(s) During Past Five Years	Number of BlackRock-Advised Registered Investment Companies (“RICs”) Consisting of Investment Portfolios (“Portfolios”) Overseen	Public Company and Other Investment Company Directorships Held During Past Five Years
Robert M. Hernandez 1944	Chair of the Board and Director (Since 2007)	Director, Vice Chairman and Chief Financial Officer of USX Corporation (energy and steel business) from 1991 to 2001; Director and non-executive Chairman, RTI International Metals, Inc. from 1990 to 2015; Director, TE Connectivity (electronics) from 2006 to 2012.	32 RICs consisting of 95 Portfolios	Chubb Limited (insurance company); Eastman Chemical Company
James H. Bodurtha 1944	Director (Since 2007)	Director, The China Business Group, Inc. (consulting and investing firm) from 1996 to 2013 and Executive Vice President thereof from 1996 to 2003; Chairman of the Board, Berkshire Holding Corporation since 1980; Director, ICI Mutual since 2010.	32 RICs consisting of 95 Portfolios	None
Bruce R. Bond 1946	Director (Since 2007)	Board Member, Amsphere Limited (software) since 2018; Trustee and Member of the Governance Committee, State Street Research Mutual Funds from 1997 to 2005; Board Member of Governance, Audit and Finance Committee, Avaya Inc. (computer equipment) from 2003 to 2007.	32 RICs consisting of 95 Portfolios	None
Honorable Stuart E. Eizenstat 1943	Director (Since 2007)	Senior Counsel of Covington and Burling LLP (law firm) since 2016; Head of International Practice thereof since 2001, and Partner thereof from 2001 to 2016; Advisory Board Member, OCP S.A. (phosphates) since 2010; International Advisory Board Member, The Coca-Cola Company from 2002 to 2011; Advisory Board Member, Veracity Worldwide, LLC (risk management) from 2007 to 2012; Member of the International Advisory Board, GML Ltd. (energy) since 2003; Board of Directors, Ferroglobe (silicon metals) since 2016.	32 RICs consisting of 95 Portfolios	Alcatel-Lucent (telecommunications); Global Specialty Metallurgical; UPS Corporation (delivery service)
Henry Gabbay 1947	Director (Since 2007)	Board Member, Equity-Liquidity and Closed-End Fund Boards from 2007 through 2014; Consultant, BlackRock, Inc. from 2007 to 2008; Managing Director, BlackRock, Inc. from 1989 to 2007; Chief Administrative Officer, BlackRock Advisors, LLC from 1998 to 2007; President of BlackRock Funds and BlackRock Allocation Target Shares (formerly, BlackRock Bond Allocation Target Shares) from 2005 to 2007 and Treasurer of certain closed-end funds in the BlackRock fund complex from 1989 to 2006.	32 RICs consisting of 95 Portfolios	None
Lena G. Goldberg 1949	Director (Since 2016)	Senior Lecturer, Harvard Business School since 2008; Director, Charles Stark Draper Laboratory, Inc. since 2013; FMR LLC/Fidelity Investments (financial services) from 1996 to 2008, serving in various senior roles including Executive Vice President — Strategic Corporate Initiatives and Executive Vice President and General Counsel; Partner, Sullivan & Worcester LLP from 1985 to 1996 and Associate thereof from 1979 to 1985.	32 RICs consisting of 95 Portfolios	None

Independent Directors [a] (continued)

Name Year of Birth [b]	Position(s) Held (Length of Service) [c]	Principal Occupation(s) During Past Five Years	Number of BlackRock-Advised Registered Investment Companies ("RICs") Consisting of Investment Portfolios ("Portfolios") Overseen	Public Company and Other Investment Company Directorships Held During Past Five Years
Henry R. Keizer 1956	Director (Since 2016)	Director, Park Indemnity Ltd. (captive insurer) since 2010; Director, MUFG Americas Holdings Corporation and MUFG Union Bank, N.A. (financial and bank holding company) from 2014 to 2016; Director, American Institute of Certified Public Accountants from 2009 to 2011; Director, KPMG LLP (audit, tax and advisory services) from 2004 to 2005 and 2010 to 2012; Director, KPMG International in 2012, Deputy Chairman and Chief Operating Officer thereof from 2010 to 2012 and U.S. Vice Chairman of Audit thereof from 2005 to 2010; Global Head of Audit, KPMGI (consortium of KPMG firms) from 2006 to 2010; Director, YMCA of Greater New York from 2006 to 2010.	32 RICs consisting of 95 Portfolios	Hertz Global Holdings (car rental); Montpelier Re Holdings, Ltd. (publicly held property and casual reinsurance) from 2013 until 2015; Sealed Air Corp. (packaging); WABCO (commercial vehicle safety systems)
John F O'Brien 1943	Director (Since 2007)	Trustee, Woods Hole Oceanographic Institute since 2003 and Chairman thereof from 2009 to 2015; Co-Founder and Managing Director, Board Leaders LLC (director education) since 2005.	32 RICs consisting of 95 Portfolios	Cabot Corporation (chemicals); LKQ Corporation (auto parts manufacturing); TJX Companies, Inc. (retailer)
Donald C. Opatrny 1952	Director (Since 2015)	Trustee, Vice Chair, Member of the Executive Committee and Chair of the Investment Committee, Cornell University since 2004; President, Trustee and Member of the Investment Committee, The Aldrich Contemporary Art Museum from 2007 to 2014; Member of the Board and Investment Committee, University School from 2007 to 2018; Member of the Investment Committee, Mellon Foundation from 2009 to 2015; Trustee, Artstor (a Mellon Foundation affiliate) from 2010 to 2015; President and Trustee, the Center for the Arts, Jackson Hole from 2011 to 2018; Director, Athena Capital Advisors LLC (investment management firm) since 2013; Trustee and Chair of the Investment Committee, Community Foundation of Jackson Hole since 2014; Member of Affordable Housing Supply Board of Jackson, Wyoming since 2017; Member, Investment Funds Committee, State of Wyoming since 2017; Trustee, Phoenix Art Museum since 2018.	32 RICs consisting of 95 Portfolios	None

Interested Directors [a][d]

Name Year of Birth [b]	Position(s) Held (Length of Service) [c]	Principal Occupation(s) During Past Five Years	Number of BlackRock-Advised Registered Investment Companies ("RICs") Consisting of Investment Portfolios ("Portfolios") Overseen	Public Company and Other Investment Company Directorships Held During Past Five Years
Robert Fairbairn 1965	Director (Since 2015)	Senior Managing Director of BlackRock, Inc. since 2010; oversees BlackRock's Strategic Partner Program and Strategic Product Management Group; Member of BlackRock's Global Executive and Global Operating Committees; Co-Chair of BlackRock's Human Capital Committee; Member of the Board of Managers of BlackRock Investments, LLC since 2011; Global Head of BlackRock's Retail and iShares® businesses from 2012 to 2016.	127 RICs consisting of 304 Portfolios	None

Interested Directors [a][d] (continued)

Name Year of Birth [b]	Position(s) Held (Length of Service) [c]	Principal Occupation(s) During Past Five Years	Number of BlackRock-Advised Registered Investment Companies ("RICs") Consisting of Investment Portfolios ("Portfolios") Overseen	Public Company and Other Investment Company Directorships Held During Past Five Years
John M. Perlowski 1964	Director (Since 2015) and President and Chief Executive Officer (Since 2010)	Managing Director of BlackRock, Inc. since 2009; Head of BlackRock Global Accounting and Product Services since 2009; Advisory Director of Family Resource Network (charitable foundation) since 2009.	127 RICs consisting of 304 Portfolios	None

(a) The address of each Director is c/o BlackRock, Inc., 55 East 52nd Street, New York, NY 10055.

(b) Each Independent Director holds office until his or her successor is duly elected and qualifies or until his or her earlier death, resignation, retirement or removal as provided by the Company's by-laws or charter or statute, or until December 31 of the year in which he or she turns 75. The Board may determine to extend the terms of Independent Directors on a case-by-case basis, as appropriate. Interested Directors serve until their successor is duly elected and qualifies or until their earlier death, resignation, retirement or removal as provided by the Company's by-laws or statute, or until December 31 of the year in which they turn 72.

(c) Following the combination of Merrill Lynch Investment Managers, L.P. ("MLIM") and BlackRock, Inc. in September 2006, the various legacy MLIM and legacy BlackRock fund boards were realigned and consolidated into three new fund boards in 2007. As a result, although the chart shows certain Independent Directors as joining the Company's board in 2007, those Directors first became members of the boards of other legacy MLIM or legacy BlackRock funds as follows: James H. Bodurtha, 1995; Bruce R. Bond, 2005; Honorable Stuart E. Eizenstat, 2001; Robert M. Hernandez, 1996; and John F. O'Brien, 2005. For BlackRock Total Return V.I. Fund, BlackRock High Yield V.I Fund, and BlackRock U.S. Government Bond V.I Fund, Length of Service includes service as director of the Predecessor/Target Funds.

(d) Mr. Fairbairn and Mr. Perlowski are both "interested persons," as defined in the 1940 Act, of the Company based on their positions with BlackRock, Inc. and its affiliates. Mr. Fairbairn and Mr. Perlowski are also board members of the BlackRock Closed-End Complex and the BlackRock Equity-Liquidity Complex.

Officers Who Are Not Directors [(a)]

Name Year of Birth [(b)]	Position(s) Held (Length of Service)	Principal Occupation(s) During Past Five Years
Jennifer McGovern 1977	Vice President (Since 2014)	Managing Director of BlackRock, Inc. since 2016; Director of BlackRock, Inc. from 2011 to 2015; Head of Product Structure and Oversight for BlackRock's U.S. Wealth Advisory Group since 2013.
Neal J. Andrews 1966	Chief Financial Officer (Since 2007)	Managing Director of BlackRock, Inc. since 2006.
Jay M. Fife 1970	Treasurer (Since 2007)	Managing Director of BlackRock, Inc. since 2007.
Charles Park 1967	Chief Compliance Officer (Since 2014)	Anti-Money Laundering Compliance Officer for the BlackRock-advised Funds in the Equity-Bond Complex, the Equity-Liquidity Complex and the Closed-End Complex from 2014 to 2015; Chief Compliance Officer of BlackRock Advisors, LLC and the BlackRock-advised Funds in the Equity-Bond Complex, the Equity-Liquidity Complex and the Closed-End Complex since 2014; Principal of and Chief Compliance Officer for iShares® Delaware Trust Sponsor LLC since 2012 and BlackRock Fund Advisors ("BFA") since 2006; Chief Compliance Officer for the BFA-advised iShares® exchange traded funds since 2006; Chief Compliance Officer for BlackRock Asset Management International Inc. since 2012.
John MacKessy 1972	Anti-Money Laundering Compliance Officer (Since 2018)	Director of BlackRock, Inc. since 2017; Global Head of Anti-Money Laundering at BlackRock, Inc. since 2017; Director of AML Monitoring and Investigations Group of Citibank from 2015 to 2017; Global Anti-Money Laundering and Economic Sanctions Officer for MasterCard from 2011 to 2015.
Benjamin Archibald 1975	Secretary (Since 2012)	Managing Director of BlackRock, Inc. since 2014; Director of BlackRock, Inc. from 2010 to 2013; Secretary of the iShares® exchange traded funds since 2015; Secretary of the BlackRock-advised mutual funds since 2012.

(a) The address of each Officer is c/o BlackRock, Inc., 55 East 52nd Street, New York, NY 10055.
(b) Officers of the Company serve at the pleasure of the Board.

Further information about the Company's Directors and Officers is available in the Company's Statement of Additional Information, which can be obtained without charge by calling (800)-441-7762.

At a special meeting of shareholders held on November 21, 2018, each Fund's shareholders elected Directors who took office on January 1, 2019. For BlackRock Variable Series Funds, Inc., the newly elected Directors include seven former Directors and eight individuals who served as directors/trustees of the funds in the BlackRock Equity-Liquidity Complex. For BlackRock Variable Series Funds II, Inc., the newly elected Directors include three former Directors and eight individuals who served as directors/trustees of the funds in the BlackRock Closed-End Complex. Information regarding the individuals who began serving as Directors effective January 1, 2019 can be found in the proxy statement for the special meeting of shareholders, which is available on the SEC's EDGAR Database at http://www.sec.gov.

Investment Adviser and Administrator
BlackRock Advisors, LLC
Wilmington, DE 19809

Accounting Agent
JPMorgan Chase Bank, N.A.
New York, NY 10179

Transfer Agent
BNY Mellon Investment Servicing (US) Inc.
Wilmington, DE 19809

Custodians
JPMorgan Chase Bank, N.A.[(c)]
New York, NY 10179

Brown Brothers Harriman & Co.[(d)]
Boston, MA 02109

Sub-Advisers
BlackRock International Limited[(a)]
Edinburgh, Scotland EH3 8BL

BlackRock Asset Management
North Asia Limited[(b)]
Hong Kong

BlackRock (Singapore) Limited[(b)]
079912 Singapore

Independent Registered Public Accounting Firm
Deloitte & Touche LLP
Boston, MA 02116

Distributor
BlackRock Investments, LLC
New York, NY 10022

Legal Counsel
Willkie Farr & Gallagher LLP
New York, NY 10019

Address of the Funds
100 Bellevue Parkway
Wilmington, DE 19809

(a) For BlackRock International V.I. Fund and BlackRock Managed Volatility V.I Fund.
(b) For BlackRock Managed Volatility V.I. Fund.
(c) For all Funds except BlackRock Global Allocation V.I. Fund, BlackRock International V.I. Fund and BlackRock Large Cap Focus Growth V.I. Fund.
(d) For BlackRock Global Allocation V.I. Fund, BlackRock International V.I. Fund and BlackRock Large Cap Focus Growth V.I. Fund.

Additional Information

Proxy Results

BlackRock Variable Series Funds, Inc.

A Special Meeting of Shareholders was held on November 21, 2018 for shareholders of record on September 24, 2018, to elect a Board of Directors of the Funds. The newly elected Directors took office effective January 1, 2019.

Shareholders approved the Directors* of BlackRock Variable Series Funds, Inc. with voting results as follows:

	Votes For	*Votes Against*	*Votes Abstained*
Bruce R. Bond	853,415,418	20,821,487	54,328,090
Susan J. Carter	859,039,119	17,819,914	51,705,962
Collette Chilton	856,423,656	20,742,083	51,399,256
Neil A. Cotty	852,591,474	20,690,305	55,283,216
Robert Fairbairn	852,542,660	20,795,311	55,227,025
Lena G. Goldberg	854,847,802	21,644,125	52,073,069
Robert M. Hernandez	850,400,415	23,756,329	54,408,250
Henry R. Keizer	852,907,817	20,662,329	54,994,850
Cynthia A. Montgomery	858,485,209	18,681,453	51,398,333
Donald C. Opatrny	852,092,270	20,950,922	55,521,803
John M. Perlowski	853,364,573	20,553,365	54,647,057
Joseph P. Platt	852,037,460	22,003,638	54,523,898
Mark Stalnecker	853,005,625	20,799,654	54,759,717
Kenneth L. Urish	851,983,013	21,087,065	55,494,917
Claire A. Walton	858,718,970	18,461,950	51,384,075

* Denotes Company-wide proposal and voting results.

The above Directors, referred to as the BlackRock Multi-Asset Board, have also been elected to serve as directors for other BlackRock-advised equity, multi-asset, index and money market funds.

BlackRock Variable Series Funds II, Inc.

A Special Meeting of Shareholders was held on November 21, 2018 for shareholders of record on September 24, 2018, to elect a Board of Directors of the Funds. The newly elected Directors took office effective January 1, 2019.

Shareholders approved the Directors* of BlackRock Variable Series Funds II, Inc. with voting results as follows:

	Votes For	*Votes Against*	*Votes Abstained*
Michael J. Castellano	59,887,070	1,387,922	4,893,829
Richard E. Cavanagh	59,649,768	1,455,828	5,063,225
Cynthia L. Egan	59,918,319	1,345,231	4,905,271
Frank J. Fabozzi	59,851,485	1,328,783	4,988,553
Robert Fairbairn	59,950,088	1,221,911	4,996,822
Henry Gabbay	59,979,137	1,094,954	5,094,730
R. Glenn Hubbard	60,054,180	1,149,136	4,965,505
W. Carl Kester	59,878,572	1,214,536	5,075,713
Catherine A. Lynch	60,029,677	1,220,289	4,918,855
John M. Perlowski	60,044,864	1,136,151	4,987,806
Karen P. Robards	60,316,551	1,000,326	4,851,944

* Denotes Company-wide proposal and voting results.

The above Directors, referred to as the BlackRock Fixed-Income Board, have also been elected to serve as directors for other BlackRock-advised non-index fixed-income mutual funds and all of the BlackRock-advised closed-end funds.

General Information

Householding

The Funds will mail only one copy of shareholder documents, including prospectuses, annual and semi-annual reports and proxy statements, to shareholders with multiple accounts at the same address. This practice is commonly called “householding” and is intended to reduce expenses and eliminate duplicate mailings of shareholder documents. Mailings of your shareholder documents may be householded indefinitely unless you instruct us otherwise. If you do not want the mailing of these documents to be combined with those for other members of your household, please call the Funds at (800) 441-7762.

Availability of Quarterly Schedule of Investments

The Funds file their complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Funds' Forms N-Q are available on the SEC's website at http://www.sec.gov. The Funds' Forms N-Q may also be obtained upon request and without charge by calling (800) 441-7762.

Availability of Proxy Voting Policies and Procedures

A description of the policies and procedures that the Funds use to determine how to vote proxies relating to portfolio securities is available upon request and without charge (1) by calling (800) 441-7762; (2) at **http://www.blackrock.com/prospectus/insurance**; and (3) on the SEC's website at http://www.sec.gov.

Availability of Proxy Voting Record

Information about how the Funds voted proxies relating to securities held in the Funds' portfolios during the most recent 12-month period ended June 30 is available upon request and without charge (1) at **http://www.blackrock.com/prospectus/insurance** or by calling (800) 441-7762 and (2) on the SEC's website at http://www.sec.gov.

BlackRock's Mutual Fund Family

BlackRock offers a diverse lineup of open-end mutual funds crossing all investment styles and managed by experts in equity, fixed-income and tax-exempt investing. Visit **http://www.blackrock.com** for more information.

Shareholder Privileges

Account Information

Call us at (800) 441-7762 from 8:00 AM to 6:00 PM ET on any business day to get information about your account balances, recent transactions and share prices. You can also reach us on the Web at **http://www.blackrock.com**.

Automatic Investment Plans

Investor Class shareholders who want to invest regularly can arrange to have $50 or more automatically deducted from their checking or savings account and invested in any of the BlackRock funds.

Systematic Withdrawal Plans

Investor Class shareholders can establish a systematic withdrawal plan and receive periodic payments of $50 or more from their BlackRock funds, as long as their account balance is at least $10,000.

Retirement Plans

Shareholders may make investments in conjunction with Traditional, Rollover, Roth, Coverdell, Simple IRAs, SEP IRAs and 403(b) Plans.

BlackRock Privacy Principles

BlackRock is committed to maintaining the privacy of its current and former fund investors and individual clients (collectively, "Clients") and to safe-guarding their non-public personal information. The following information is provided to help you understand what personal information BlackRock collects, how we protect that information and why in certain cases we share such information with select parties.

If you are located in a jurisdiction where specific laws, rules or regulations require BlackRock to provide you with additional or different privacy-related rights beyond what is set forth below, then BlackRock will comply with those specific laws, rules or regulations.

BlackRock obtains or verifies personal non-public information from and about you from different sources, including the following: (i) information we receive from you or, if applicable, your financial intermediary, on applications, forms or other documents; (ii) information about your transactions with us, our affiliates, or others; (iii) information we receive from a consumer reporting agency; and (iv) from visits to our websites.

BlackRock does not sell or disclose to non-affiliated third parties any non-public personal information about its Clients, except as permitted by law or as is necessary to respond to regulatory requests or to service Client accounts. These non-affiliated third parties are required to protect the confidentiality and security of this information and to use it only for its intended purpose.

We may share information with our affiliates to service your account or to provide you with information about other BlackRock products or services that may be of interest to you. In addition, BlackRock restricts access to non-public personal information about its Clients to those BlackRock employees with a legitimate business need for the information. BlackRock maintains physical, electronic and procedural safeguards that are designed to protect the non-public personal information of its Clients, including procedures relating to the proper storage and disposal of such information.

This report is only for distribution to shareholders of the Funds of BlackRock Variable Series Funds, Inc. Past performance results shown in this report should not be considered a representation of future performance. Investment return and principal value of non-money market fund shares will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. An investment in the BlackRock Government Money Market V.I. Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the money market fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in money market funds. Statements and other information herein are as dated and are subject to change.

Annual Report

December 31, 2018

Franklin Templeton Variable Insurance Products Trust

Internet Delivery of Shareholder Reports: Effective January 1, 2021, as permitted by regulations adopted by the SEC, you may not be receiving paper copies of the Fund's annual or semiannual shareholder reports by mail, unless you specifically request them from the insurance company that offers your variable annuity or variable life insurance contract or your financial intermediary. Instead of delivering paper copies of the report, the insurance company may choose to make the reports available on a website, and will notify you by mail each time a shareholder report is posted and provide you with a website link to access the report. Instructions for requesting paper copies will be provided by your insurance company.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the insurance company or your financial intermediary electronically by following the instructions provided by the insurance company or by contacting your financial intermediary.

You may elect to receive all future Fund shareholder reports in paper free of charge from the insurance company. You can inform the insurance company or your financial intermediary that you wish to continue receiving paper copies of your shareholder reports by following the instructions provided by the insurance company or by contacting your financial intermediary. Your election to receive reports in paper will apply to all portfolio companies available under your contract with the insurance company.

This notice is not legally a part of the shareholder report.

Franklin Templeton Variable Insurance Products Trust Annual Report

Table of Contents

Important Notes to Performance Information i

***Supplement to the Prospectus for all Funds** PS-1

Fund Summary

Franklin Income VIP Fund FI-1

***Prospectus and SAI Supplements** FI-6

Index Descriptions I-1

Board Members and Officers BOD-1

Shareholder Information SI-1

*Not part of the annual report. Retain for your records.

Not FDIC Insured | May Lose Value | No Bank Guarantee

CMFG LIFE INS. CO. AND MEMBERS LIFE INS. CO. A 02/19

Important Notes to Performance Information

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

When reviewing the index comparisons, please keep in mind that indexes have a number of inherent performance differentials over the funds. First, unlike the funds, which must hold a minimum amount of cash to maintain liquidity, indexes do not have a cash component. Second, the funds are actively managed and, thus, are subject to management fees to cover salaries of securities analysts or portfolio managers in addition to other expenses. Indexes are unmanaged and do not include any commissions or other expenses typically associated with investing in securities. Third, indexes often contain a different mix of securities than the fund to which they are compared. Additionally, please remember that indexes are simply a measure of performance and cannot be invested in directly.

SUPPLEMENT DATED JULY 10, 2018
TO THE PROSPECTUS DATED MAY 1, 2018
OF
FRANKLIN FLEX CAP GROWTH VIP FUND
FRANKLIN FOUNDING FUNDS ALLOCATION VIP FUND
FRANKLIN GLOBAL REAL ESTATE VIP FUND
FRANKLIN GROWTH AND INCOME VIP FUND
FRANKLIN INCOME VIP FUND
FRANKLIN LARGE CAP GROWTH VIP FUND
FRANKLIN MUTUAL GLOBAL DISCOVERY VIP FUND
FRANKLIN MUTUAL SHARES VIP FUND
FRANKLIN RISING DIVIDENDS VIP FUND
FRANKLIN SMALL CAP VALUE VIP FUND
FRANKLIN SMALL-MID CAP GROWTH VIP FUND
FRANKLIN STRATEGIC INCOME VIP FUND
FRANKLIN U.S. GOVERNMENT SECURITIES VIP FUND
FRANKLIN VOLSMART ALLOCATION VIP FUND
TEMPLETON DEVELOPING MARKETS VIP FUND
TEMPLETON FOREIGN VIP FUND
TEMPLETON GLOBAL BOND VIP FUND
TEMPLETON GROWTH VIP FUND
(each a series of Franklin Templeton Variable Insurance Products Trust)

I. The following replaces the third paragraph in the prospectus under “Additional Information, All Funds – Fund Account Information – Fund Account Policies – Calculating Share Price:”

The Fund calculates the NAV per share each business day as of 1 p.m. Pacific time or the regularly scheduled close of the New York Stock Exchange (NYSE), whichever is earlier. The Fund does not calculate the NAV on days the NYSE is closed for trading, which include New Year’s Day, Martin Luther King Jr. Day, President’s Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. If the NYSE has a scheduled early close, the Fund’s share price would be determined as of the time of the close of the NYSE. If, due to weather or other special or unexpected circumstances, the NYSE has an unscheduled early close on a day that it has opened for business, the Fund reserves the right to consider that day as a regular business day and accept purchase and redemption orders and calculate its share price as of the normally scheduled close of regular trading on the NYSE.

Please keep this supplement with your prospectus for future reference.

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Franklin Income VIP Fund

This annual report for Franklin Income VIP Fund covers the fiscal year ended December 31, 2018.

Class 4 Performance Summary as of December 31, 2018

Average annual total return of Class 4 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 12/31/18	1-Year	5-Year	10-Year
Average Annual Total Return	-4.42%	+2.96%	+8.74%

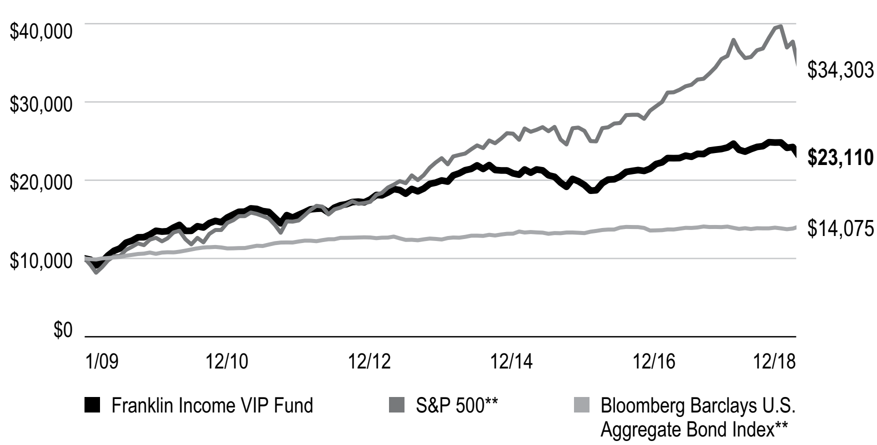
*The Fund has a fee waiver associated with any investment it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through 4/30/19. Fund investment results reflect the fee waiver; without this waiver, the results would have been lower.

Performance reflects the Fund's Class 4 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 (1/1/09–12/31/18)

The graph below shows the change in value of a hypothetical $10,000 investment in the Fund over the indicated period and includes reinvestment of any income or distributions. The Fund's performance* is compared to the performance of the Standard & Poor's® 500 Index (S&P 500®) and the Bloomberg Barclays U.S. Aggregate Bond 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 to maximize income, while maintaining prospects for capital appreciation. Under normal market conditions, the Fund invests in a diversified portfolio of debt and equity securities.

Fund Risks

All investments involve risks, including possible loss of principal. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. The Fund's portfolio includes a substantial portion of higher yielding, lower rated corporate bonds because of the relatively higher yields they offer. The Fund's share price and yield will be affected by interest rate movements. Bond prices generally move in the opposite direction of interest rates. Thus, as prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. Changes in the financial strength of a bond issuer or in a bond's credit rating may affect its value. Foreign investing carries additional risks such as currency and market volatility and political or social instability, risks that are heightened in developing countries. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Performance Overview

You can find the Fund's one-year total return in the Performance Summary. For comparison, the Fund's equity benchmark, the S&P 500, had a -4.38% total return, and its fixed income benchmark, the Bloomberg Barclays U.S. Aggregate Bond Index, posted a +0.01% total return for the same period.[1]

Economic and Market Overview

The U.S. economy grew during the 12 months under review. After moderating for three consecutive quarters, the economy grew faster in 2018's second quarter, driven by consumer spending, business investment, exports and government spending. However, growth moderated in the third quarter due to declines in exports and housing investment. The manufacturing and services sectors expanded during the period.

Portfolio Composition
12/31/18

	% of Total Net Assets
Equity*	**45.9%**
Financials	6.7%
Utilities	6.5%
Energy	6.0%
Health Care	5.2%
Information Technology	4.9%
Materials	3.6%
Consumer Staples	3.4%
Communication Services	3.4%
Consumer Discretionary	3.2%
Industrials	2.5%
Real Estate	0.5%
Fixed Income	**50.3%**
Health Care	13.1%
Financials	12.9%
Communication Services	6.9%
Energy	6.6%
Consumer Discretionary	3.0%
Materials	1.9%
Utilities	1.7%
Industrials	1.6%
Consumer Staples	1.2%
Information Technology	0.7%
Real Estate	0.7%
Short-Term Investments & Other Net Assets	**3.8%**

*Includes convertible bonds.

The unemployment rate declined from 4.1% in December 2017 to 3.9% at period-end.[2] Annual inflation, as measured by the Consumer Price Index, decreased from 2.1% in December 2017 to 1.9% at period-end.[2]

The U.S. Federal Reserve (Fed) raised its target range for the federal funds rate four times during the period, to 2.25%–2.50%, and continued to reduce its balance sheet as part of its ongoing plan to normalize monetary policy. At its December meeting, the Fed reduced the projected 2019 rate increases to two, compared to three projected previously.

The 10-year Treasury yield, which moves inversely to its price, increased during the period. The yield rose to multi-year highs

1. Source: Morningstar. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. Please see Index Descriptions following the Fund Summaries.
2. Source: Bureau of Labor Statistics.

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).

several times in 2018 amid investor concerns about higher inflation and the Fed's interest-rate path. Expectations that other central banks might scale back monetary stimulus and better-than-expected U.S. economic reports also pushed the yield higher. However, some factors weighed on the Treasury yield at certain points during the period, including concerns about political turmoil in Italy, political uncertainties in the U.S., tensions between the U.S. and North Korea, the Trump administration's protectionist trade policies, U.S. trade disputes with its allies and China, economic turmoil in Turkey and Argentina, slowing global economic growth and expectations the Fed would slow its pace of rate increases. Overall, the 10-year Treasury yield rose from 2.40% at the beginning of the period to 2.69% at period-end.

Investment Strategy

In analyzing debt and equity securities, we consider such factors as a company's experience and managerial strength; responsiveness to changes in interest rates and business conditions; debt maturity schedules and borrowing requirements; changing financial condition and market recognition of the change; and a security's relative value based on such factors as anticipated cash flow, interest or dividend coverage, asset coverage and earnings. When choosing investments for the Fund, we apply a bottom-up, value oriented, long-term approach, focusing on the market price of a company's securities relative to the investment manager's evaluation of the company's long-term earnings, asset value and cash flow potential.

Manager's Discussion

In our pursuit of what we considered attractive current income, while maintaining prospects for capital appreciation, we continued to hold a diversified mix of securities in our multi-asset income strategies, including common stocks, preferred stocks, equity-linked securities, government debt securities, corporate bonds (both investment grade and high yield), and floating-rate corporate term loans.

During the year, we increased our fixed income holdings, reflecting heightened uncertainty related to the potential effect of rising interest rates and quantitative tightening (i.e., Fed balance sheet reduction) on economic growth. Adding to these concerns in the latter part of 2018 were increased trade tensions (especially between China and the U.S.), rising political discord in the U.S. (e.g., government shutdown), and weakening global economic growth expectations (e.g., collapse in energy prices).

As a result of the numerous factors listed above, volatility increased during 2018 across a range of asset classes from the very low levels experienced in 2017. Our portfolio shifts were intended to help balance the Fund's asset mix and reduce the expected risk of the Fund going forward. Key to this was the addition of short- and intermediate-maturity U.S. Treasury securities into the Fund. The rise in interest rates over the last 12-18 months also made these securities more attractive to us on a relative value basis compared to the more full valuations across much of the equity and corporate credit markets.

Top Five Equity Holdings
12/31/18

Company ***Sector/Industry***	**% of Total Net Assets**
Wells Fargo & Co. *Financials*	2.0%
The Southern Co. *Utilities*	1.8%
Dominion Energy Inc. *Utilities*	1.7%
Sempra Energy *Utilities*	1.6%
Verizon Communications Inc. *Communication Services*	1.5%

At period-end, the Fund held 50.3% in fixed income securities, including 38.8% in corporate bonds, 7.5% in U.S. Treasury securities, and 3.7% in floating-rate corporate loans. We maintained an emphasis on select opportunities within corporate debt securities, particularly within non-investment grade where we prefer to emphasize company-specific factors rather than broad credit and interest-rate risk. (High yield bonds have the added advantage of being a fairly short duration asset class.) Rising interest rates and select widening in corporate credit spreads presented an opportunity to more than double our weighting of investment-grade corporate debt.

Corporate fixed income sector exposures remain fairly diversified, with health care, financials, communication services and energy the largest weightings.

Overall performance among fixed income holdings was slightly negative for the year, with key detractors concentrated in energy and consumer discretionary. Key contributions among fixed income positions came from U.S. Treasury holdings, health care and utilities.

At period-end, the Fund held 45.9% in equity securities.

While the overall performance from equity securities turned negative as equity markets came under significant pressure to end the year, performance was fairly mixed across sectors. Economically sensitive sectors came under the greatest

Top Five Fixed Income Holdings and Senior Floating Rate Interests*

12/31/18

Company *Sector/Industry*	**% of Total Net Assets**
U.S. Treasury Note *Financials*	7.5%
CHS/Community Health Systems Inc. *Health Care*	3.9%
Chesapeake Energy Corp. *Energy*	2.4%
Tenet Healthcare Corp. *Health Care*	2.2%
Citigroup Inc. *Financials*	1.8%

*Does not include convertible bonds.

pressure at year-end, with energy, financials, industrials and materials among the leading detractors. Partially offsetting the detractors were contributions from equity holdings in the health care, information technology and utilities sectors.

While markets remain relatively unsettled as we enter 2019, we continue to find what we believe to be attractive opportunities across a wide range of asset classes and securities that are capable of generating attractive income, while also offering the potential for long-term capital appreciation.

Thank you for your participation in Franklin Income VIP Fund. We look forward to serving your future investment needs.

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2018, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

Class 4 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 (o*f 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 ÷ $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 x $ 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.

		Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		
Share Class	**Beginning Account Value 7/1/18**	**Ending Account Value 12/31/18**	**Fund-Level Expenses Paid During Period 7/1/18–12/31/18[1,2]**	**Ending Account Value 12/31/18**	**Fund-Level Expenses Paid During Period 7/1/18–12/31/18[1,2]**	**Net Annualized Expense Ratio[2]**
Class 4	$1,000	$949.00	$3.93	$1,021.17	$4.08	0.80%

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.

SUPPLEMENT DATED OCTOBER 30, 2018
TO THE PROSPECTUSES
DATED MAY 1, 2018
OF
FRANKLIN INCOME VIP FUND
(A series of Franklin Templeton Variable Insurance Products Trust)

The prospectuses are amended as follows:

I. The second paragraph in the "Franklin Income VIP Fund – Fund Summaries – Principal Investment Strategies" section of the prospectuses is deleted.

II. The following is added to the "Franklin Income VIP Fund – Fund Summaries – Principal Investment Strategies" section of the prospectuses:

> The Fund may, from time to time, use a variety of equity-related derivatives and complex equity securities, which may include purchasing or selling call and put options on equity securities and equity security indices, futures on equity securities and equity indexes, options on equity index futures and equity-linked notes, for various purposes including enhancing Fund returns, increasing liquidity, gaining exposure to particular instruments in more efficient or less expensive ways and/or hedging risks relating to changes in certain equity markets. In addition, the Fund may use interest rate derivatives, including interest rate swaps and interest rate and/or bond futures contracts (including U.S. Treasury futures contracts) for various purposes including enhancing Fund returns, increasing liquidity, gaining exposure to particular instruments in more efficient or less expensive ways and/or hedging risks relating to changes in interest rates. The Fund also may, from time to time, use currency derivatives, such as forward foreign currency exchange contracts, currency futures contracts, currency swaps and currency options to hedge (protect) against currency risks, and credit-related derivatives, such as credit default swaps and options on credit default swaps, to hedge (protect) against credit risks. The use of such derivative transactions may allow the Fund to obtain net long or net short exposures to selected markets, interest rates, countries or durations.

III. The following is added to the "Franklin Income VIP Fund – Fund Summaries – Principal Risks" section of the prospectuses:

> **Derivative Instruments** The performance of derivative instruments depends largely on the performance of an underlying instrument, such as a currency, security, interest rate or index, and such instruments often have risks similar to the underlying instrument, in addition to other risks. Derivatives involve costs and can create economic leverage in the Fund's portfolio which may result in significant volatility and cause the Fund to participate in losses (as well as gains) in an amount that exceeds the Fund's initial investment. Other risks include illiquidity, mispricing or improper valuation of the derivative instrument, and imperfect correlation between the value of the derivative and the underlying instrument so that the Fund may not realize the intended benefits. When a derivative is used for hedging, the change in value of the derivative may also not correlate specifically with the currency, security, interest rate, index or other risk being hedged. Derivatives also may present the risk that the other party to the transaction will fail to perform.

IV. The following replaces the eighth through eleventh paragraphs in the "Franklin Income VIP Fund – Fund Details – Principal Investment Policies and Practices" section of the prospectuses:

> The Fund may, from time to time, use a variety of equity-related derivatives and complex equity securities, which may include purchasing or selling call and put options on equity securities and equity security indices, futures on equity securities and equity indexes, options on equity index futures and equity-linked notes, for various purposes including enhancing Fund returns, increasing liquidity, gaining exposure to particular instruments in more efficient or less expensive ways and/or hedging risks relating to changes in certain equity markets. In addition, the Fund may use interest rate derivatives, including interest rate swaps and interest rate and/or bond futures contracts (including U.S. Treasury futures contracts) for various purposes including enhancing Fund returns, increasing liquidity, gaining exposure to particular instruments in more efficient or less expensive ways and/or hedging risks relating to changes in interest rates. The Fund also may, from time to time, use currency derivatives, such as forward foreign currency exchange contracts, currency futures contracts, currency swaps and currency options to hedge (protect) against currency risks, and credit-related derivatives, such as credit default swaps and

options on credit default swaps, to hedge (protect) against credit risks. The use of such derivative transactions may allow the Fund to obtain net long or net short exposures to selected markets, interest rates, countries or durations. The investment manager considers various factors, such as availability and cost, in deciding whether, when and to what extent to enter into derivative transactions.

A currency forward contract is an obligation to purchase or sell a specific foreign currency at an agreed exchange rate (price) at a future date, which is typically individually negotiated and privately traded by currency traders and their customers in the interbank market. A futures contract is a standard binding agreement to buy or sell a specified quantity of an underlying instrument or asset, such as a specific currency, at a specified price at a specified later date that trade on an exchange.

Swap agreements, such as interest rate, currency, inflation index and credit default swaps, are contracts between the Fund and another party (the swap counterparty) involving the exchange of payments on specified terms over periods ranging from a few days to multiple years. A swap agreement may be negotiated bilaterally and traded over-the-counter (OTC) between two parties (for an uncleared swap) or, in some instances, must be transacted through a futures commission merchant (FCM) and cleared through a clearinghouse that serves as a central counterparty (for a cleared swap). In a basic swap transaction, the Fund agrees with the swap counterparty to exchange the returns (or differentials in rates of return) and/or cash flows earned or realized on a particular "notional amount" of underlying instruments. The notional amount is the set amount selected by the parties as the basis on which to calculate the obligations that they have agreed to exchange. The parties typically do not actually exchange the notional amount. Instead, they agree to exchange the returns that would be earned or realized if the notional amount were invested in given instruments or at given interest rates.

For credit default swaps, the "buyer" of the credit default swap agreement is obligated to pay the "seller" a periodic stream of payments over the term of the agreement in return for a payment by the seller that is contingent upon the occurrence of a credit event with respect to an underlying reference debt obligation. The buyer of the credit default swap is purchasing the obligation of its counterparty to offset losses the buyer could experience if there was such a credit event. Generally, a credit event means bankruptcy, failure to timely pay interest or principal, obligation acceleration or default, or repudiation or restructuring of the reference debt obligation. The contingent payment by the seller generally is either the face amount of the reference debt obligation in exchange for the physical delivery of the reference debt obligation or a cash payment equal to the decrease in market value of the reference debt obligation following the occurrence of the credit event.

An interest rate swap is an agreement between two parties to exchange interest rate payment obligations. Typically, one rate is based on an interest rate fixed to maturity while the other is based on an interest rate that changes in accordance with changes in a designated benchmark (for example, LIBOR, prime, commercial paper, or other benchmarks).

A currency swap is generally a contract between two parties to exchange one currency for another currency at the start of the contract and then exchange periodic floating or fixed rates during the term of the contract based upon the relative value differential between the two currencies. Unlike other types of swaps, currency swaps typically involve the delivery of the entire principal (notional) amounts of the two currencies at the time the swap is entered into. At the end of the swap contract, the parties receive back the principal amounts of the two currencies.

A call option gives the purchaser of the option, upon payment of a premium, the right to buy, and the seller the obligation to sell, the underlying instrument at the exercise price. Conversely, a put option gives the purchaser of the option, upon payment of a premium, the right to sell, and the seller of the option the obligation to buy, the underlying instrument at the exercise price. For example, when the investment manager expects the price of a stock held by the Fund to decline in value, the Fund may also purchase put options that are expected to increase in value as the market price of the stock declines to hedge against such anticipated decline in value.

Equity-linked notes (ELNs) are hybrid derivative-type instruments that are specially designed to combine the characteristics of one or more reference securities (usually a single stock, a stock index or a basket of stocks (underlying securities)) and a related equity derivative, such as a put or call option, in a single note form. The Fund may engage in all types of ELNs, including those that: (1) provide for protection of the Fund's principal in exchange for limited participation in the appreciation of the underlying securities, and (2) do not provide for such protection and subject the Fund to the risk of loss of the Fund's principal investment. ELNs can provide the Fund with an efficient investment tool that may be less expensive than investing directly in the underlying securities and the related equity derivative.

Please keep this supplement with your prospectus for future reference.

SUPPLEMENT DATED JANUARY 31, 2019
TO THE PROSPECTUSES
DATED MAY 1, 2018
OF
FRANKLIN INCOME VIP FUND
(a series of Franklin Templeton Variable Insurance Products Trust)

Effective February 1, 2019, the prospectus is amended as follows:

I. The portfolio management team under the "FUND SUMMARIES – Franklin Income VIP Fund – Portfolio Managers" section on page FI-S5 is replaced with the following:

Portfolio Managers

Edward D. Perks, CFA *President and Director of Advisers and portfolio manager of the Fund since 2002.*

Matthew D. Quinlan *Vice President of Advisers and portfolio manager of the Fund since 2012.*

Richard S. Hsu, CFA *Vice President of Advisers and portfolio manager of the Fund since 2017.*

Todd Brighton, CFA *Portfolio Manager of Advisers and portfolio manager of the Fund since 2017.*

Brendan Circle, CFA *Portfolio Manager of Advisers and portfolio manager of the Fund since February 2019.*

II. The portfolio management team under the "Fund Details – Franklin Income VIP Fund – Management" section on page FI-D8 is replaced with the following:

The Fund is managed by a team of dedicated professionals focused on investments in debt and equity securities. The portfolio managers of the team are as follows:

Edward D. Perks, CFA President and Director of Advisers

Mr. Perks has been a portfolio manager of the Fund since 2002. He has final authority over all aspects of the Fund's investment portfolio, including but not limited to, purchases and sales of individual securities, portfolio risk assessment, and the management of daily cash balances in accordance with anticipated investment management requirements. The degree to which he may perform these functions, and the nature of these functions, may change from time to time. He joined Franklin Templeton Investments in 1992.

Matthew D. Quinlan Vice President of Advisers

Mr. Quinlan has been a portfolio manager of the Fund since 2012, providing research and advice on the purchases and sales of individual securities, and portfolio risk assessment. He joined Franklin Templeton Investments in 2005.

Richard S. Hsu Vice President of Advisers

Mr. Hsu has been a portfolio manager of the Fund since 2017, providing research and advice on the purchases and sales of individual securities, and portfolio risk assessment. He joined Franklin Templeton Investments in 1996.

Todd Brighton, CFA Portfolio Manager of Advisers

Mr. Brighton has been a portfolio manager of the Fund since 2017, providing research and advice on the purchases and sales of individual securities, and portfolio risk assessment. He joined Franklin Templeton Investments in 2000.

Brendan Circle, CFA Portfolio Manager of Advisers

Mr. Circle has been a portfolio manager of the Fund since February 2019, providing research and advice on the purchases and sales of individual securities, and portfolio risk assessment. He joined Franklin Templeton Investments in 2014.

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Please keep this supplement with your prospectus for future reference.

SUPPLEMENT DATED OCTOBER 30, 2018
TO THE STATEMENT OF ADDITIONAL INFORMATION
DATED MAY 1, 2018
OF
FRANKLIN INCOME VIP FUND
(A series of Franklin Templeton Variable Insurance Products Trust)

The Statement of Additional Information (SAI) is amended as follows:

I. The following replaces the thirteenth through sixteenth and nineteenth bullet points in the list of bullet points under the "The Funds – Goals, Additional Strategies and Risks – Franklin Income VIP Fund (Income Fund)" heading in the SAI:

The Fund also may:

- engage in currency derivatives, such as currency forwards, currency futures, currency swaps and put and call options on currencies
- engage in equity-related derivatives and complex securities, such as buying and writing call and put options on securities and indices that trade on national securities exchanges and over-the-counter (OTC), buying and selling futures on equity securities and indexes and options on equity index futures, engaging in equity total return swaps and using equity-linked notes, including up to 2% of the Fund's assets in equity-linked notes on commodity-linked ETFs
- engage in interest rate derivatives such as interest rate swaps and options thereon, interest rate/bond futures and options thereon, and inflation index swaps
- engage in credit-related derivatives and complex securities, including buying and selling single name, loan and index credit default swaps and options thereon, fixed income total return swaps, credit-linked notes, collateralized debt obligations.

Please keep this supplement with your prospectus for future reference.

Financial Highlights

Franklin Income VIP Fund

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Class 1					
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$16.72	$15.87	$14.64	$16.48	$16.53
Income from investment operations[a]:					
Net investment income[b]	0.71	0.69	0.67	0.71	0.72
Net realized and unrealized gains (losses)	(1.35)	0.87	1.34	(1.78)	0.11
Total from investment operations	(0.64)	1.56	2.01	(1.07)	0.83
Less distributions from net investment income	(0.82)	(0.71)	(0.78)	(0.77)	(0.88)
Net asset value, end of year	$15.26	$16.72	$15.87	$14.64	$16.48
Total return[c]	(4.09)%	9.94%	14.33%	(6.84)%	4.92%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	0.47%	0.47%	0.47%	0.46%	0.47%
Expenses net of waiver and payments by affiliates[d]	0.45%	0.45%	0.44%	0.46%[e]	0.47%
Net investment income	4.33%	4.22%	4.47%	4.47%	4.26%
Supplemental data					
Net assets, end of year (000's)	$612,657	$735,149	$696,227	$604,228	$714,664
Portfolio turnover rate	43.22%	20.96%	39.03%	31.53%	24.77%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

[b]Based on average daily shares outstanding.

[c]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle.

[d]Benefit of expense reduction rounds to less than 0.01%.

[e]Benefit of waiver and payments by affiliates rounds to less than 0.01%.

Franklin Income VIP Fund (continued)

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Class 2					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	$16.17	$15.38	$14.20	$16.00	$16.07
Income from investment operations[a]:					
Net investment income[b]	0.65	0.63	0.61	0.65	0.66
Net realized and unrealized gains (losses)	(1.30)	0.83	1.31	(1.73)	0.11
Total from investment operations	(0.65)	1.46	1.92	(1.08)	0.77
Less distributions from net investment income	(0.78)	(0.67)	(0.74)	(0.72)	(0.84)
Net asset value, end of year	$14.74	$16.17	$15.38	$14.20	$16.00
Total return[c]	(4.30)%	9.67%	14.02%	(7.05)%	4.62%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	0.72%	0.72%	0.72%	0.71%	0.72%
Expenses net of waiver and payments by affiliates[d]	0.70%	0.70%	0.69%	0.71%[e]	0.72%
Net investment income	4.08%	3.97%	4.22%	4.22%	4.01%
Supplemental data					
Net assets, end of year (000's)	$4,086,652	$5,041,498	$5,088,556	$4,907,599	$6,022,804
Portfolio turnover rate	43.22%	20.96%	39.03%	31.53%	24.77%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

[b]Based on average daily shares outstanding.

[c]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle.

[d]Benefit of expense reduction rounds to less than 0.01%.

[e]Benefit of waiver and payments by affiliates rounds to less than 0.01%.

Franklin Income VIP Fund (continued)

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Class 4					
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$16.53	$15.71	$14.49	$16.31	$16.36
Income from investment operations[a]:					
Net investment income[b]	0.64	0.62	0.61	0.65	0.66
Net realized and unrealized gains (losses)	(1.33)	0.85	1.33	(1.76)	0.11
Total from investment operations	(0.69)	1.47	1.94	(1.11)	0.77
Less distributions from net investment income	(0.76)	(0.65)	(0.72)	(0.71)	(0.82)
Net asset value, end of year	$15.08	$16.53	$15.71	$14.49	$16.31
Total return[c]	(4.42)%	9.55%	13.87%	(7.15)%	4.52%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	0.82%	0.82%	0.82%	0.81%	0.82%
Expenses net of waiver and payments by affiliates[d]	0.80%	0.80%	0.79%	0.81%[e]	0.82%
Net investment income	3.98%	3.87%	4.12%	4.12%	3.91%
Supplemental data					
Net assets, end of year (000's)	$294,700	$335,217	$309,935	$306,023	$378,545
Portfolio turnover rate	43.22%	20.96%	39.03%	31.53%	24.77%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

[b]Based on average daily shares outstanding.

[c]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle.

[d]Benefit of expense reduction rounds to less than 0.01%.

[e]Benefit of waiver and payments by affiliates rounds to less than 0.01%.

Statement of Investments, December 31, 2018

Franklin Income VIP Fund

	Country	Shares	Value
Common Stocks 34.9%			
Communication Services 2.3%			
[a] Alphabet Inc., A.	United States	20,000	$ 20,899,200
BCE Inc..	Canada	466,000	18,411,942
Verizon Communications Inc.	United States	1,325,000	74,491,500
			113,802,642
Consumer Discretionary 1.3%			
Ford Motor Co.	United States	3,138,995	24,013,312
Target Corp.	United States	650,000	42,958,500
			66,971,812
Consumer Staples 3.4%			
Anheuser-Busch InBev SA/NV, ADR	Belgium	412,500	27,146,625
The Coca-Cola Co.	United States	700,000	33,145,000
PepsiCo Inc.	United States	384,000	42,424,320
Philip Morris International Inc..	United States	350,000	23,366,000
The Procter & Gamble Co.	United States	500,000	45,960,000
			172,041,945
Energy 5.0%			
Anadarko Petroleum Corp.	United States	400,000	17,536,000
Baker Hughes a GE Co., A	United States	795,000	17,092,500
BP PLC, ADR	United Kingdom	750,000	28,440,000
Chevron Corp..	United States	400,000	43,516,000
Exxon Mobil Corp.	United States	500,000	34,095,000
Occidental Petroleum Corp.	United States	286,000	17,554,680
Royal Dutch Shell PLC, A, ADR.	United Kingdom	1,000,000	58,270,000
Schlumberger Ltd.	United States	225,000	8,118,000
TransCanada Corp.	Canada	350,000	12,495,000
The Williams Cos. Inc.	United States	600,000	13,230,000
			250,347,180
Financials 5.6%			
Bank of America Corp..	United States	1,200,000	29,568,000
Barclays PLC	United Kingdom	10,000,000	19,195,062
HSBC Holdings PLC	United Kingdom	2,194,113	18,100,537
JPMorgan Chase & Co.	United States	600,000	58,572,000
MetLife Inc..	United States	1,095,108	44,965,134
Morgan Stanley	United States	250,000	9,912,500
Wells Fargo & Co.	United States	2,200,000	101,376,000
			281,689,233
Health Care 4.8%			
AstraZeneca PLC	United Kingdom	900,000	67,405,886
Johnson & Johnson	United States	230,000	29,681,500
Medtronic PLC	United States	175,000	15,918,000
Merck & Co. Inc.	United States	806,100	61,594,101
Pfizer Inc..	United States	1,499,975	65,473,909
			240,073,396
Industrials 1.2%			
3M Co..	United States	125,000	23,817,500
[a] CEVA Logistics AG	Switzerland	283,295	8,596,495
Cummins Inc.	United States	200,000	26,728,000
			59,141,995

Franklin Income VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Information Technology 1.6%			
Analog Devices Inc.	United States	150,000	$ 12,874,500
Apple Inc.	United States	53,317	8,410,224
Applied Materials Inc.	United States	286,000	9,363,640
Lam Research Corp.	United States	70,000	9,531,900
Microchip Technology Inc.	United States	150,000	10,788,000
Microsoft Corp.	United States	285,500	28,998,235
			79,966,499
Materials 2.7%			
BASF SE	Germany	700,000	48,759,650
DowDuPont Inc.	United States	447,500	23,932,300
Rio Tinto PLC, ADR	Australia	1,250,000	60,600,000
			133,291,950
Real Estate 0.5%			
Host Hotels & Resorts Inc.	United States	1,500,000	25,005,000
Utilities 6.5%			
Dominion Energy Inc.	United States	1,201,638	85,869,051
Duke Energy Corp.	United States	577,500	49,838,250
Sempra Energy	United States	720,000	77,896,800
The Southern Co.	United States	2,020,000	88,718,400
Xcel Energy Inc.	United States	400,000	19,708,000
			322,030,501
Total Common Stocks (Cost $1,580,699,489)			1,744,362,153
[b] **Equity-Linked Securities 9.0%**			
Communication Services 1.1%			
[c] Royal Bank of Canada into Alphabet Inc., 6.00%, A, 144A	Belgium	10,000	10,734,758
[c] Royal Bank of Canada into Comcast Corp., 7.00%, A, 144A	United States	1,270,000	43,607,726
			54,342,484
Consumer Discretionary 1.9%			
[c] Merrill Lynch International & Co. CV into General Motor Co., 8.00%, 144A	United States	1,425,000	49,014,196
[c] Wells Fargo Bank National Assn. into Ford Motor Co., 8.50%, 144A	United States	2,500,000	19,845,060
[c] Wells Fargo Bank National Assn. into Target Corp., 8.00%, 144A	United States	400,000	27,044,025
			95,903,281
Energy 0.5%			
[c] UBS AG London into Halliburton Co., 7.00%, 144A	United States	840,000	23,047,953
Industrials 1.3%			
[c] Deutsche Bank AG London into Union Pacific Corp., 6.50%, 144A	United States	450,000	63,123,325
Information Technology 3.3%			
[c] Citigroup Global Markets Holdings Inc. into Texas Instruments Inc., 7.00%, 144A	United States	520,000	50,268,829
[c] Credit Suisse AG into International Business Machines Corp., 9.50%, 144A	United States	110,000	12,350,855
[c] Royal Bank of Canada into Apple Inc., 6.50%, 144A	United States	310,000	49,636,457
[c] Wells Fargo Bank National Assn. into Intel Corp., 8.00%, 144A	United States	1,100,000	52,865,381
			165,121,522
Materials 0.9%			
[c] UBS AG London into DowDuPont Inc., 6.50%, 144A	United States	850,000	47,069,105
Total Equity-Linked Securities (Cost $536,524,698)			448,607,670

Franklin Income VIP Fund (continued)

	Country	Shares		Value
Convertible Preferred Stocks 1.1%				
Financials 1.1%				
Bank of America Corp., 7.25%, cvt. pfd., L	United States	34,600		$ 43,336,500
[a] FNMA, 5.375%, cvt. pfd.	United States	475		10,093,750
Total Convertible Preferred Stocks (Cost $65,397,102)				53,430,250
		Units		
[d] **Index-Linked Notes (Cost $14,054,540) 0.3%**				
Financials 0.3%				
[c,e] Morgan Stanley Finance LLC, senior note, 144A, 7.43%, 10/03/19	United States	106,000		12,995,484
		Principal Amount*		
Convertible Bonds 0.9%				
Energy 0.5%				
Chesapeake Energy Corp., cvt., senior note, 5.50%, 9/15/26	United States	10,000,000		8,099,770
Weatherford International Ltd., cvt., senior note, 5.875%, 7/01/21	United States	22,000,000		14,012,768
				22,112,538
Health Care 0.4%				
[c] Bayer Capital Corp BV, cvt., junior sub. note, 144A, 5.625%, 11/22/19	Germany	25,000,000	EUR	21,521,704
Total Convertible Bonds (Cost $58,051,219)				43,634,242
Corporate Bonds 38.8%				
Communication Services 6.1%				
AMC Entertainment Holdings Inc., senior sub. note, 5.875%, 11/15/26	United States	5,600,000		4,816,000
AT&T Inc., senior bond, 4.125%, 2/17/26	United States	12,000,000		11,742,289
CCO Holdings LLC/CCO Holdings Capital Corp.,				
senior bond, 5.125%, 2/15/23	United States	10,000,000		9,775,000
senior bond, 5.75%, 1/15/24	United States	9,000,000		8,977,500
[c] senior bond, 144A, 5.50%, 5/01/26	United States	10,000,000		9,637,500
[c] senior bond, 144A, 5.00%, 2/01/28	United States	5,000,000		4,612,500
DISH DBS Corp.,				
senior bond, 5.875%, 7/15/22	United States	40,000,000		36,950,000
senior bond, 5.00%, 3/15/23	United States	35,000,000		29,268,750
senior note, 5.875%, 11/15/24	United States	9,400,000		7,602,250
Netflix Inc., senior bond, 4.875%, 4/15/28	United States	24,000,000		21,960,000
[c] Sirius XM Radio Inc., senior bond, 144A, 6.00%, 7/15/24	United States	7,500,000		7,546,875
Sprint Capital Corp., senior note, 6.90%, 5/01/19	United States	13,500,000		13,618,125
Sprint Communications Inc.,				
senior bond, 11.50%, 11/15/21	United States	30,000,000		34,125,000
senior note, 7.00%, 8/15/20	United States	7,500,000		7,697,250
senior note, 6.00%, 11/15/22	United States	6,300,000		6,198,129
Sprint Corp.,				
senior bond, 7.875%, 9/15/23	United States	37,500,000		38,578,125
senior bond, 7.125%, 6/15/24	United States	8,200,000		8,147,192
senior note, 7.625%, 3/01/26	United States	8,000,000		7,920,000

Franklin Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Communication Services (continued)			
[c] Sprint Spectrum Co. LLC, senior secured bond, first lien, 144A, 5.152%, 9/20/29	United States	16,000,000	$ 15,760,000
[c] Univision Communications Inc.,			
senior secured note, first lien, 144A, 5.125%, 5/15/23	United States	15,000,000	13,500,000
senior secured note, first lien, 144A, 5.125%, 2/15/25	United States	7,140,000	6,283,200
			304,715,685
Consumer Discretionary 1.7%			
[c] 24 Hour Holdings III LLC, senior note, 144A, 8.00%, 6/01/22	United States	6,300,000	5,969,250
Fiat Chrysler Automobiles NV, senior note, 5.25%, 4/15/23	United Kingdom	9,300,000	9,169,242
Ford Motor Co., senior note, 4.346%, 12/08/26	United States	18,500,000	16,540,812
General Motors Co., senior bond, 5.15%, 4/01/38	United States	16,000,000	13,722,274
[c] Shea Homes LP/Shea Homes Funding Corp.,			
senior bond, 144A, 6.125%, 4/01/25	United States	8,000,000	7,120,000
senior note, 144A, 5.875%, 4/01/23	United States	5,000,000	4,587,500
[c] Tesla Inc., senior note, 144A, 5.30%, 8/15/25	United States	7,000,000	6,107,500
[c] Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp.,			
senior bond, 144A, 5.50%, 3/01/25	United States	13,200,000	12,342,000
senior bond, 144A, 5.25%, 5/15/27	United States	10,000,000	8,812,500
			84,371,078
Consumer Staples 1.0%			
BAT Capital Corp.,			
senior note, 3.222%, 8/15/24	United Kingdom	10,000,000	9,221,228
senior note, 3.557%, 8/15/27	United Kingdom	20,000,000	17,797,098
Kraft Heinz Foods Co., senior bond, 4.625%, 1/30/29	United States	13,000,000	12,887,004
[c] Post Holdings Inc.,			
senior bond, 144A, 5.00%, 8/15/26	United States	7,500,000	6,862,500
senior bond, 144A, 5.625%, 1/15/28	United States	2,500,000	2,309,375
			49,077,205
Energy 6.6%			
[c] Ascent Resources Utica Holdings LLC/ARU Finance Corp., senior note, 144A, 10.00%, 4/01/22	United States	6,500,000	6,680,700
Calumet Specialty Products Partners LP/Calumet Finance Corp., senior note, 6.50%, 4/15/21	United States	30,000,000	25,200,000
Chesapeake Energy Corp.,			
senior bond, 6.125%, 2/15/21	United States	16,000,000	15,120,000
senior bond, 8.00%, 6/15/27	United States	26,000,000	21,970,000
senior note, 5.375%, 6/15/21	United States	12,875,000	11,845,000
senior note, 4.875%, 4/15/22	United States	5,000,000	4,387,500
senior note, 5.75%, 3/15/23	United States	5,000,000	4,337,500
senior note, 7.00%, 10/01/24	United States	17,500,000	15,225,000
senior note, 8.00%, 1/15/25	United States	31,500,000	27,956,250
senior note, 7.50%, 10/01/26	United States	10,000,000	8,600,000
[f] senior note, FRN, 5.686%, (3-month USD LIBOR + 3.25%), 4/15/19	United States	9,800,000	9,775,500
Ferrellgas LP/Ferrellgas Finance Corp.,			
senior note, 6.50%, 5/01/21	United States	9,500,000	7,837,500
senior note, 6.75%, 6/15/23	United States	5,000,000	4,100,000
HighPoint Operating Corp.,			
senior bond, 7.00%, 10/15/22	United States	17,937,000	16,591,725
senior note, 8.75%, 6/15/25	United States	23,400,000	22,698,000

Franklin Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Energy (continued)			
Kinder Morgan Inc.,			
senior bond, 7.75%, 1/15/32	United States	22,000,000	$ 26,450,006
[c] senior secured bond, first lien, 144A, 5.625%, 11/15/23	United States	6,400,000	6,779,057
Sanchez Energy Corp., senior note, 7.75%, 6/15/21	United States	27,000,000	6,480,000
Talos Production LLC/Talos Production Finance Inc., second lien, 11.00%, 4/03/22	United States	6,452,837	6,097,931
Weatherford International Ltd.,			
senior note, 5.125%, 9/15/20	United States	22,500,000	17,662,500
senior note, 7.75%, 6/15/21	United States	47,500,000	35,862,500
senior note, 4.50%, 4/15/22	United States	11,900,000	7,021,000
senior note, 8.25%, 6/15/23	United States	37,500,000	22,781,250
			331,458,919
Financials 5.1%			
Bank of America Corp.,			
[g] junior sub. bond, AA, 6.10% to 3/17/25, FRN thereafter, Perpetual	United States	8,000,000	7,890,000
[g] junior sub. bond, U, 5.20% to 6/01/23, FRN thereafter, Perpetual	United States	5,000,000	4,820,750
[g] junior sub. bond, X, 6.25% to 9/05/24, FRN thereafter, Perpetual	United States	6,000,000	5,940,000
senior bond, 3.419% to 12/20/27, FRN thereafter, 12/20/28	United States	18,500,000	17,311,708
Capital One Financial Corp., senior sub. note, 4.20%, 10/29/25	United States	15,500,000	14,999,065
Citigroup Inc.,			
[g] junior sub. bond, 5.35% to 5/15/23, FRN thereafter, Perpetual	United States	10,000,000	9,000,000
[g] junior sub. bond, 5.90% to 2/15/23, FRN thereafter, Perpetual	United States	12,500,000	11,681,250
[g] junior sub. bond, 5.95% to 1/30/23, FRN thereafter, Perpetual	United States	4,500,000	4,112,325
[g] junior sub. bond, M, 6.30% to 5/15/24, FRN thereafter, Perpetual	United States	15,800,000	14,595,250
[g] junior sub. bond, O, 5.875% to 3/27/20, FRN thereafter, Perpetual	United States	25,000,000	24,156,250
[g] junior sub. bond, Q, 5.95% to 8/15/20, FRN thereafter, Perpetual	United States	10,000,000	9,668,750
sub. bond, 4.125%, 7/25/28	United States	18,500,000	17,391,982
The Goldman Sachs Group Inc., senior note, 3.272% to 9/29/24, FRN thereafter, 9/29/25	United States	15,500,000	14,539,368
HSBC Holdings PLC, senior note, 4.292% to 9/12/25, FRN thereafter, 9/12/26	United Kingdom	28,500,000	28,601,602
[g] JPMorgan Chase & Co.,			
[f] junior sub. bond, FRN, 5.99%, (3-month USD LIBOR + 3.47%), Perpetual	United States	28,692,000	28,405,080
junior sub. bond, R, 6.00% to 8/01/23, FRN thereafter, Perpetual	United States	3,200,000	3,136,000
junior sub. bond, V, 5.00% to 7/30/19, FRN thereafter, Perpetual	United States	10,000,000	9,662,500
[g] Morgan Stanley, junior sub. bond, 5.55% to 7/15/20, FRN thereafter, Perpetual	United States	7,300,000	7,093,775
Prudential Financial Inc., junior sub. bond, 5.70% to 9/15/28, FRN thereafter, 9/15/48	United States	17,000,000	15,852,500
[g] Wells Fargo & Co., junior sub. bond, S, 5.90% to 6/15/24, FRN thereafter, Perpetual	United States	6,600,000	6,296,400
			255,154,555
Health Care 12.6%			
Allergan Funding SCS, senior bond, 3.80%, 3/15/25	United States	17,000,000	16,626,587
[c] Bausch Health Cos. Inc.,			
senior bond, 144A, 6.125%, 4/15/25	United States	9,400,000	8,225,000
senior note, 144A, 5.50%, 3/01/23	United States	15,000,000	13,731,600
senior note, 144A, 5.875%, 5/15/23	United States	14,500,000	13,466,875
senior note, 144A, 9.00%, 12/15/25	United States	5,000,000	4,993,750
senior note, first lien, 144A, 7.00%, 3/15/24	United States	4,500,000	4,556,250
senior secured note, first lien, 144A, 6.50%, 3/15/22	United States	3,000,000	3,027,240
senior secured note, first lien, 144A, 5.50%, 11/01/25	United States	35,000,000	32,768,750

Franklin Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Health Care (continued)			
[c]Bayer US Finance II LLC, senior note, 144A, 4.25%, 12/15/25	Germany	15,000,000	$ 14,627,398
CHS/Community Health Systems Inc.,			
senior note, 6.875%, 2/01/22	United States	104,415,000	48,030,900
[c]senior note, 144A, 8.125%, 6/30/24	United States	42,388,000	31,155,180
[c]senior note, 144A, 11.00% to 6/22/19, 9.875% thereafter, 6/30/23	United States	103,596,000	80,286,900
senior secured note, first lien, 6.25%, 3/31/23	United States	39,000,000	35,589,450
CVS Health Corp.,			
senior bond, 4.30%, 3/25/28	United States	8,000,000	7,848,251
senior bond, 5.05%, 3/25/48	United States	3,900,000	3,812,508
senior note, 4.10%, 3/25/25	United States	5,100,000	5,062,123
DaVita Inc.,			
senior bond, 5.125%, 7/15/24	United States	5,000,000	4,700,000
senior bond, 5.00%, 5/01/25	United States	4,000,000	3,645,000
[c]Endo DAC/Endo Finance LLC/Endo Finco Inc.,			
senior bond, 144A, 6.00%, 2/01/25	United States	10,000,000	7,225,000
senior note, 144A, 6.00%, 7/15/23	United States	15,000,000	11,512,500
[c]Endo Finance LLC, senior note, 144A, 5.75%, 1/15/22	United States	22,500,000	18,843,750
[c]Halfmoon Parent Inc., senior secured note, 144A, 3.75%, 7/15/23	United States	20,000,000	19,952,761
HCA Inc.,			
senior bond, 5.875%, 5/01/23	United States	7,500,000	7,612,500
senior note, 7.50%, 2/15/22	United States	25,000,000	26,625,000
senior secured note, first lien, 5.00%, 3/15/24	United States	10,400,000	10,322,000
Horizon Pharma USA Inc., senior note, 6.625%, 5/01/23	United States	8,000,000	7,760,000
Mallinckrodt International Finance SA, senior bond, 4.75%, 4/15/23	United States	5,000,000	3,375,000
[c]Mallinckrodt International Finance SA/Mallinckrodt CB LLC,			
senior note, 144A, 4.875%, 4/15/20	United States	20,200,000	19,594,000
[h]senior note, 144A, 5.75%, 8/01/22	United States	27,000,000	23,220,000
senior note, 144A, 5.625%, 10/15/23	United States	14,300,000	10,921,625
senior note, 144A, 5.50%, 4/15/25	United States	10,000,000	6,950,000
Mylan NV, senior note, 3.95%, 6/15/26	United States	13,600,000	12,325,340
Tenet Healthcare Corp.,			
secured note, second lien, 5.125%, 5/01/25	United States	2,500,000	2,337,500
senior note, 8.125%, 4/01/22	United States	52,600,000	52,928,750
senior note, 6.75%, 6/15/23	United States	58,200,000	54,853,500
			628,512,988
Industrials 1.0%			
United Rentals North America Inc.,			
senior bond, 5.75%, 11/15/24	United States	3,000,000	2,898,750
senior bond, 4.875%, 1/15/28	United States	20,000,000	17,600,000
United Technologies Corp., senior note, 3.95%, 8/16/25	United States	15,000,000	14,912,052
[c]West Corp., senior note, 144A, 8.50%, 10/15/25	United States	10,000,000	7,950,000
[c]XPO Logistics Inc., senior note, 144A, 6.50%, 6/15/22	United States	4,134,000	4,113,330
			47,474,132
Information Technology 0.7%			
[c]CommScope Inc., senior bond, 144A, 5.50%, 6/15/24	United States	10,000,000	9,187,500
[c]Dell International LLC/EMC Corp., senior secured note, first lien, 144A, 5.45%, 6/15/23	United States	21,100,000	21,491,325
NCR Corp., senior note, 6.375%, 12/15/23	United States	4,212,000	4,092,843
			34,771,668

Franklin Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Materials 1.9%			
[c]BWAY Holding Co.,			
secured note, 144A, 5.50%, 4/15/24	United States	10,000,000	$ 9,437,500
senior note, 144A, 7.25%, 4/15/25	United States	23,000,000	20,728,750
[c]Cemex Finance LLC, senior secured note, first lien, 144A, 6.00%, 4/01/24	Mexico	14,700,000	14,676,480
DowDuPont Inc., senior note, 4.493%, 11/15/25	United States	28,500,000	29,398,454
[c]FMG Resources (August 2006) Pty. Ltd., senior note, 144A, 5.125%, 5/15/24	Australia	6,700,000	6,266,577
[c]Syngenta Finance NV, senior note, 144A, 4.441%, 4/24/23	Switzerland	16,500,000	16,033,380
			96,541,141
Real Estate 0.7%			
Equinix Inc., senior bond, 5.375%, 5/15/27	United States	16,500,000	16,170,000
Iron Mountain Inc., senior sub. bond, 5.75%, 8/15/24	United States	18,000,000	17,145,000
			33,315,000
Utilities 1.4%			
Calpine Corp.,			
senior bond, 5.75%, 1/15/25	United States	10,000,000	9,175,000
senior note, 5.375%, 1/15/23	United States	20,000,000	18,800,000
senior note, 5.50%, 2/01/24	United States	16,375,000	15,044,531
Vistra Energy Corp.,			
senior note, 7.375%, 11/01/22	United States	20,000,000	20,700,000
senior note, 5.875%, 6/01/23	United States	8,000,000	8,040,000
			71,759,531
Total Corporate Bonds (Cost $2,100,829,871)			1,937,151,902
[f,i]**Senior Floating Rate Interests 3.7%**			
Communication Services 0.8%			
[j]iHeartCommunications Inc., Tranche E Term Loan, 9.193%, (3-month USD LIBOR + 7.50%), 7/30/19	United States	13,142,768	8,885,432
MH Sub I LLC & Micro Holding Corp.,			
Amendment No. 2 Initial Term Loan, 6.254%, (1-month USD LIBOR + 3.75%), 9/15/24	United States	8,897,400	8,463,651
Second Lien Initial Term Loan, 10.004%, (1-month USD LIBOR + 7.50%), 9/15/25	United States	5,000,000	4,675,000
Securus Technologies Holdings Inc.,			
[k,l]Delayed Draw Term Loan, TBD, 11/01/24	United States	8,800,000	8,514,000
Initial Term Loan B, 7.022%, (1-month USD LIBOR + 4.50%), 11/01/24	United States	2,183,459	2,112,496
Second Lien Initial Loan, 10.772%, (1-month USD LIBOR + 8.25%), 11/01/25	United States	6,000,000	5,805,000
			38,455,579
Consumer Discretionary 1.3%			
24 Hour Fitness Worldwide Inc., Term Loan, 6.022%, (1-month USD LIBOR + 3.50%), 5/30/25	United States	13,930,000	13,677,519
Academy Ltd., Initial Term Loan, 6.349%, (1-month USD LIBOR + 4.00%), 7/02/22	United States	1,562,373	1,051,672
Belk Inc., Closing Date Term Loan, 7.365%, (3-month USD LIBOR + 4.75%), 12/12/22	United States	24,246,330	19,673,230
PetSmart Inc., Tranche B-2 Loans, 5.38%, (1-month USD LIBOR + 3.00%), 3/11/22	United States	18,404,639	14,605,370
Stars Group Holdings BV, Stars Group (US), USD Term Loan, 6.303%, (3-month USD LIBOR + 3.50%), 7/10/25	United States	19,900,000	19,290,562
			68,298,353

Franklin Income VIP Fund (continued)

	Country	Principal Amount*	Value
[f,i] **Senior Floating Rate Interests** (continued)			
Consumer Staples 0.2%			
Almonde Inc., Tahoe Canada Bidco Inc. and Misys Europe SA, Dollar Term Loan, 6.303%, (3-month USD LIBOR + 3.50%), 6/13/24	United States	14,078,196	$ 13,170,152
Health Care 0.5%			
Amneal Pharmaceuticals LLC, Initial Term Loans, 6.063%, (1-month USD LIBOR + 3.50%), 5/04/25	United States	24,869,222	23,646,402
Industrials 0.6%			
Commercial Barge Line Co., Initial Term Loan, 11.272%, (1-month USD LIBOR + 8.75%), 11/12/20	United States	8,625,000	6,289,065
Vertiv Group Corp., Term B Loans, 6.707%, (3-month USD LIBOR + 4.00%), 11/30/23	United States	8,574,569	7,888,603
West Corp., Term B Loans, 6.527%, (3-month USD LIBOR + 4.00%), 10/10/24	United States	17,461,292	16,049,844
			30,227,512
Utilities 0.3%			
Talen Energy Supply LLC,			
Initial Term Loan, 6.522%, (1-month USD LIBOR + 4.00%), 4/13/24	United States	7,820,000	7,718,989
Term B-1 Loans, 6.522%, (1-month USD LIBOR + 4.00%), 7/15/23	United States	5,895,000	5,824,997
			13,543,986
Total Senior Floating Rate Interests (Cost $202,607,509)			187,341,984
U.S. Government and Agency Securities 7.5%			
U.S. Treasury Note,			
1.00%, 6/30/19	United States	50,000,000	49,627,424
2.25%, 3/31/20	United States	50,000,000	49,799,272
2.50%, 5/31/20	United States	75,000,000	74,938,136
2.50%, 6/30/20	United States	50,000,000	49,963,730
2.375%, 3/15/21	United States	50,000,000	49,868,432
2.75%, 4/30/23	United States	25,000,000	25,263,509
2.75%, 5/31/23	United States	50,000,000	50,553,879
2.875%, 5/31/25	United States	25,000,000	25,443,525
Total U.S. Government and Agency Securities (Cost $374,249,107)			375,457,907

	Country	Shares	Value
Escrows and Litigation Trusts (Cost $62,602) 0.0%			
[a,m] Motors Liquidation Co., Escrow Account, cvt. pfd., C	United States	1,400,000	—
Total Investments before Short Term Investments (Cost $4,932,476,137)			4,802,981,592
Short Term Investments 3.2%			
Money Market Funds (Cost $157,193,174) 3.2%			
[n,o] Institutional Fiduciary Trust Money Market Portfolio, 1.99%	United States	157,193,174	157,193,174
[p] **Investments from Cash Collateral Received for Loaned Securities 0.0%†**			
Money Market Funds (Cost $1,099,000) 0.0%†			
[n,o] Institutional Fiduciary Trust Money Market Portfolio, 1.99%	United States	1,099,000	1,099,000

Franklin Income VIP Fund (continued)

	Country	Principal Amount*	Value
Short Term Investments (continued)			
Investments from Cash Collateral Received for Loaned Securities (continued)			
Repurchase Agreement (Cost $275,043) 0.0%†			
[q] Joint Repurchase Agreement, 2.95%, 1/02/19 (Maturity Value $275,088) BNP Paribas Securities Corp. Collateralized by U.S. Treasury, Strip, 8/15/19 – 11/15/20; [r]U.S. Treasury Bill, 3/28/19; U.S. Treasury Note, 1.125% - 2.75%, 9/30/19 – 11/15/23 (valued at $280,544)	United States	275,043	$ 275,043
Total Investments from Cash Collateral Received for Loaned Securities (Cost $1,374,043)			1,374,043
Total Investments (Cost $5,091,043,354) 99.4%			4,961,548,809
Other Assets, less Liabilities 0.6%			32,460,826
Net Assets 100.0%			$4,994,009,635

See Abbreviations on page FI-35.

†Rounds to less than 0.1% of net assets.

*The principal amount is stated in U.S. dollars unless otherwise indicated.

[a]Non-income producing.

[b]See Note 1(g) regarding equity-linked securities.

[c]Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Trust's Board of Trustees. At December 31, 2018, the aggregate value of these securities was $1,042,978,736, representing 20.9% of net assets.

[d]See Note 1(f) regarding index-linked notes.

[e]Security pays a fixed 2.00% coupon rate and a variable coupon based on the distribution of the Morgan Stanley Custom Enhanced SPX B DT Index 20 Delta. The coupon rate shown represents the combined rate at period end. Cash payment at maturity or upon early redemption is based on the performance of the Morgan Stanley Custom Enhanced SPX B Index 20 Delta.

[f]The coupon rate shown represents the rate at period end.

[g]Perpetual security with no stated maturity date.

[h]A portion or all of the security is on loan at December 31, 2018. See Note 1(h).

[i]See Note 1(i) regarding senior floating rate interests.

[j]See Note 7 regarding defaulted securities.

[k]Security purchased on a delayed delivery basis. See Note 1(d).

[l]A portion or all of the security represents an unsettled loan commitment. The coupon rate is to-be determined (TBD) at the time of settlement and will be based upon a reference index/floor plus a spread.

[m]Fair valued using significant unobservable inputs. See Note 10 regarding fair value measurements.

[n]See Note 3(e) regarding investments in affiliated management investment companies.

[o]The rate shown is the annualized seven-day effective yield at period end.

[p]See Note 1(h) regarding securities on loan.

[q]See Note 1(c) regarding repurchase agreement.

[r]The security was issued on a discount basis with no stated coupon rate.

Financial Statements

Statement of Assets and Liabilities

December 31, 2018

	Franklin Income VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	$4,932,476,137
Cost - Non-controlled affiliates (Note 3e)	158,292,174
Cost - Unaffiliated repurchase agreements	275,043
Value - Unaffiliated issuers+	$4,802,981,592
Value - Non-controlled affiliates (Note 3e)	158,292,174
Value - Unaffiliated repurchase agreements	275,043
Cash	6,676,343
Receivables:	
Investment securities sold	6,098,327
Capital shares sold	887,247
Dividends and interest	37,601,832
Other assets	694
Total assets	5,012,813,252
Liabilities:	
Payables:	
Investment securities purchased	8,778,000
Capital shares redeemed	4,337,957
Management fees	1,923,555
Distribution fees	1,970,366
Payable upon return of securities loaned	1,374,043
Accrued expenses and other liabilities	419,696
Total liabilities	18,803,617
Net assets, at value	$4,994,009,635
Net assets consist of:	
Paid-in capital	$4,778,931,120
Total distributable earnings (loss)	215,078,515
Net assets, at value	$4,994,009,635
Class 1:	
Net assets, at value	$ 612,656,977
Shares outstanding	40,141,624
Net asset value and maximum offering price per share	$15.26
Class 2:	
Net assets, at value	$4,086,652,487
Shares outstanding	277,303,541
Net asset value and maximum offering price per share	$14.74
Class 4:	
Net assets, at value	$ 294,700,171
Shares outstanding	19,537,193
Net asset value and maximum offering price per share	$15.08

+Includes securities loaned . . . $ 1,307,200

Statement of Operations

for the year ended December 31, 2018

	Franklin Income VIP Fund
Investment income:	
Dividends: (net of foreign taxes)*	
Unaffiliated issuers	$ 90,603,027
Non-controlled affiliates (Note 3e)	3,827,185
Interest:	
Unaffiliated issuers	179,493,518
Income from securities loaned:	
Unaffiliated issuers (net of fees and rebates)	33,198
Non-controlled affiliates (Note 3e)	127,105
Total investment income	274,084,033
Expenses:	
Management fees (Note 3a)	26,034,552
Distribution fees: (Note 3c)	
Class 2	11,760,863
Class 4	1,135,920
Custodian fees (Note 4)	65,560
Reports to shareholders	460,080
Professional fees	151,267
Trustees' fees and expenses	41,822
Other	121,916
Total expenses	39,771,980
Expense reductions (Note 4)	(55,355)
Expenses waived/paid by affiliates (Note 3e)	(971,286)
Net expenses	38,745,339
Net investment income	235,338,694
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	347,360,552
Written options	3,958,115
Realized gain distributions from REITs	139,700
Foreign currency transactions	(317,612)
Net realized gain (loss)	351,140,755
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	(810,146,467)
Translation of other assets and liabilities denominated in foreign currencies	(37,554)
Written options	575,894
Net change in unrealized appreciation (depreciation)	(809,608,127)
Net realized and unrealized gain (loss)	(458,467,372)
Net increase (decrease) in net assets resulting from operations	$(223,128,678)

*Foreign taxes withheld on dividends . . . $ 2,399,880

Statements of Changes in Net Assets

	Franklin Income VIP Fund	
	Year Ended December 31,	
	2018	2017
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 235,338,694	$ 246,080,825
Net realized gain (loss)	351,140,755	161,381,487
Net change in unrealized appreciation (depreciation)	(809,608,127)	162,933,235
Net increase (decrease) in net assets resulting from operations	(223,128,678)	570,395,547
Distributions to shareholders: (Note 1k)		
Class 1	(34,377,723)	(30,736,550)
Class 2	(227,495,537)	(212,433,443)
Class 4	(14,948,805)	(12,598,021)
Total distributions to shareholders	(276,822,065)	(255,768,014)
Capital share transactions: (Note 2)		
Class 1	(62,663,457)	1,111,670
Class 2	(543,422,123)	(307,051,941)
Class 4	(11,817,756)	8,458,865
Total capital share transactions	(617,903,336)	(297,481,406)
Net increase (decrease) in net assets	(1,117,854,079)	17,146,127
Net assets:		
Beginning of year	6,111,863,714	6,094,717,587
End of year (Note 1k)	$ 4,994,009,635	$6,111,863,714

Notes to Financial Statements

Franklin Income VIP Fund

1. Organization and Significant Accounting Policies

Franklin Templeton Variable Insurance Products Trust (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of eighteen separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Franklin Income 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 each business day as of 4 p.m. Eastern time or the regularly scheduled close of the New York Stock Exchange (NYSE), whichever is earlier. 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 Fund may 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.

Debt securities generally trade in the OTC market rather than on a securities exchange. The Fund's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value. Securities denominated in a foreign currency are converted into their U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time on the date that the values of the foreign debt securities are determined.

Investments in open-end mutual funds are valued at the closing NAV. Investments in repurchase agreements are valued at cost, which approximates fair value.

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the Fund 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.

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

Franklin Income VIP Fund (continued)

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 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. At December 31, 2018, a market event occured resulting in a portion of the securities held by the Fund being valued using fair value procedures.

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. Joint Repurchase Agreement

The Fund enters into a joint repurchase agreement whereby its uninvested cash balance is deposited into a joint cash account with other funds managed by the investment manager or an affiliate of the investment manager and is used to invest in one or more repurchase agreements. The value and face amount of the joint repurchase agreement are allocated to the funds based on their pro-rata interest. A repurchase agreement is accounted for as a loan by the Fund to the seller, collateralized by securities which are delivered to the Fund's custodian. The fair value, including accrued interest, of the initial collateralization is required to be at least 102% of the dollar amount invested by the funds, with the value of the underlying securities marked to market daily to maintain coverage of at least 100%. Repurchase agreements are subject to the terms of Master Repurchase Agreements (MRAs) with approved counterparties (sellers). The MRAs contain various provisions, including but not limited to events of default and maintenance of collateral for repurchase agreements. In the event of default by either the seller or the Fund, certain MRAs may permit the non-defaulting party to net and close-out all transactions, if any, traded under such agreements. The Fund may sell securities it holds as collateral and apply the proceeds towards the repurchase price and any other amounts owed by the seller to the Fund in the event of default by the seller. This could involve costs or delays in addition to a loss on the securities if their value falls below the repurchase price owed by the seller. The joint repurchase agreement held by the Fund at year end, as indicated in the Statement of Investments, had been entered into on December 31, 2018.

Franklin Income VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

d. Securities Purchased on a Delayed Delivery Basis

The Fund purchases securities on a delayed delivery basis, with payment and delivery scheduled for a future date. These transactions are subject to market fluctuations and are subject to the risk that the value at delivery may be more or less than the trade date purchase price. Although the Fund will generally purchase these securities with the intention of holding the securities, it may sell the securities before the settlement date. Sufficient assets have been segregated for these securities.

e. Derivative Financial Instruments

The Fund invested in derivative financial instruments in order to manage risk or gain exposure to various other investments or markets. Derivatives are financial contracts based on an underlying or notional amount, require no initial investment or an initial net investment that is smaller than would normally be required to have a similar response to changes in market factors, and require or permit net settlement. Derivatives contain various risks including the potential inability of the counterparty to fulfill their obligations under the terms of the contract, the potential for an illiquid secondary market, and/or the potential for market movements which expose the Fund to gains or losses in excess of the amounts shown in the Statement of Assets and Liabilities. Realized gain and loss and unrealized appreciation and depreciation on these contracts for the period are included in the Statement of Operations.

The Fund purchased or wrote exchange traded option contracts primarily to gain exposure to equity price risk. An option is a contract entitling the holder to purchase or sell a specific amount of shares or units of an asset or notional amount of a swap (swaption), at a specified price. When an option is purchased or written, an amount equal to the premium paid or received is recorded as an asset or liability, respectively. Upon exercise of an option, the acquisition cost or sales proceeds of the underlying investment is adjusted by any premium received or paid. Upon expiration of an option, any premium received or paid is recorded as a realized gain or loss. Upon closing an option other than through expiration or exercise, the difference between the premium received or paid and the cost to close the position is recorded as a realized gain or loss.

See Note 8 regarding other derivative information.

f. Index-Linked Notes

The Fund invests in index-linked notes. Index-linked notes are senior, unsecured, subordinated debt securities issued by a financial institution, and the value is based on the price movements of the underlying index. Index-linked notes are designed to provide investors access to the returns of various market benchmarks and intended to replicate the economic effects that would apply had the Fund directly purchased the underlying referenced asset or basket of assets. The risks of investing in index-linked notes include unfavorable price movements in the underlying index and the credit risk of the issuing financial institution. There may be no guarantee of a return of principal with index-linked notes and the appreciation potential may be limited. Index-linked notes may be more volatile and less liquid than other investments held by the Fund.

g. Equity-Linked Securities

The Fund invests in equity-linked securities. Equity-linked securities are hybrid financial instruments that generally combine both debt and equity characteristics into a single note form. Income received from equity-linked securities is recorded as realized gains in the Statement of Operations and may be based on the performance of an underlying equity security, an equity index, or an option position. The risks of investing in equity-linked securities include unfavorable price movements in the underlying security and the credit risk of the issuing financial institution. There may be no guarantee of a return of principal with equity-linked securities and the appreciation potential may be limited. Equity-linked securities may be more volatile and less liquid than other investments held by the Fund.

h. Securities Lending

The Fund participates in an agency based securities lending program to earn additional income. The Fund receives cash collateral against the loaned securities in an amount equal to at least 102% of the fair value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the fair value of loaned securities, as determined at the close of Fund business each day; any additional collateral required due to changes in security values is delivered to the Fund on the next business day. The collateral is deposited into a joint cash account with other funds and is used to invest in a money market fund managed by Franklin Advisers, Inc., an affiliate of the Fund, and/or a joint repurchase agreement. The Fund may receive income from the investment of cash collateral, in addition to lending fees and rebates paid by the

Franklin Income VIP Fund (continued)

borrower. Income from securities loaned, net of fees paid to the securities lending agent and/or third-party vendor, is reported separately in the Statement of Operations. The Fund bears the market risk with respect to the collateral investment, securities loaned, and the risk that the agent may default on its obligations to the Fund. If the borrower defaults on its obligation to return the securities loaned, the Fund has the right to repurchase the securities in the open market using the collateral received. The securities lending agent has agreed to indemnify the Fund in the event of default by a third party borrower.

i. Senior Floating Rate Interests

The Fund invests in senior secured corporate loans that pay interest at rates which are periodically reset by reference to a base lending rate plus a spread. These base lending rates are generally the prime rate offered by a designated U.S. bank or the London InterBank Offered Rate (LIBOR). Senior secured corporate loans often require prepayment of principal from excess cash flows or at the discretion of the borrower. As a result, actual maturity may be substantially less than the stated maturity. Senior secured corporate loans in which the Fund invests are generally readily marketable, but may be subject to certain restrictions on resale.

j. Income and Deferred Taxes

It is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. The Fund intends to distribute to shareholders substantially all of its taxable income and net realized gains to relieve it from federal income and if applicable, excise taxes. As a result, no provision for U.S. federal income taxes is required.

The Fund may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which it invests. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. When a capital gain tax is determined to apply, the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

As a result of several court cases, in certain countries across the European Union, the Fund filed additional tax reclaims for previously withheld taxes on dividends earned in those countries (EU reclaims). These additional filings are subject to various administrative proceedings by the local jurisdictions' tax authorities within the European Union, as well as a number of related judicial proceedings. Income recognized, if any, for EU reclaims is reflected as other income in the Statement of Operations and any related receivable, if any, is reflected as European Union tax reclaims in the Statement of Assets and Liabilities. When uncertainty exists as to the ultimate resolution of these proceedings, the likelihood of receipt of these EU reclaims, and the potential timing of payment, no amounts are reflected in the financial statements. For U.S. income tax purposes, when EU reclaims are received by the Fund and the Fund previously passed foreign tax credit on to its shareholders, the Fund must either amend historic tax reporting to shareholders or enter into a closing agreement with the Internal Revenue Service (IRS) in order to pay the associated tax liability on behalf of the Fund's shareholders.

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, 2018, the Fund has determined that no tax liability is required in its financial statements related to uncertain tax positions for any open tax years (or expected to be taken in future tax years). Open tax years are those that remain subject to examination and are based on the statute of limitations in each jurisdiction in which the Fund invests.

k. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Facility fees are recognized as income over the expected term of the loan. Dividend income is recorded on the ex-dividend date 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

Franklin Income VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

k. Security Transactions, Investment Income, Expenses and Distributions *(continued)*

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 or based on the ratio of number of shareholders of each Fund to the combined number of shareholders 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.

l. Accounting Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

m. Guarantees and Indemnifications

Under the Trust's organizational documents, its officers and trustees are indemnified by the Trust against certain liabilities arising out of the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust, on behalf of the Fund enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. Currently, the Trust expects the risk of loss to be remote.

*Effective during the current reporting period, it is no longer required to present certain line items in the Statements of Changes in Net Assets. The below prior period amounts affected by this change are shown as they were in the prior year Statements of Changes in Net Assets.

For the year ended December 31, 2017, distributions to shareholders were as follows:

Distributions from net investment income :	
Class 1	$ (30,736,550)
Class 2	(212,433,443)
Class 4	(12,598,021)

For the year ended December 31, 2017, undistributed net investment income included in net assets was $269,525,427.

2. Shares of Beneficial Interest

At December 31, 2018, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31,			
	2018		2017	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	1,947,322	$ 31,806,598	2,556,049	$ 41,649,315
Shares issued in reinvestment of distributions	2,128,651	34,377,723	1,925,849	30,736,550
Shares redeemed	(7,908,010)	(128,847,778)	(4,368,760)	(71,274,195)
Net increase (decrease)	(3,832,037)	$ (62,663,457)	113,138	$ 1,111,670

Franklin Income VIP Fund (continued)

	Year Ended December 31,			
	2018		2017	
	Shares	Amount	Shares	Amount
Class 2 Shares:				
Shares sold	11,659,052	$ 185,115,657	12,063,249	$ 190,265,472
Shares issued in reinvestment of distributions	14,573,705	227,495,537	13,740,843	212,433,443
Shares redeemed	(60,726,257)	(956,033,317)	(44,928,166)	(709,750,856)
Net increase (decrease)	(34,493,500)	$(543,422,123)	(19,124,074)	$(307,051,941)
Class 4 Shares:				
Shares sold	2,953,880	$ 48,028,259	3,354,488	$ 54,048,239
Shares issued in reinvestment of distributions	934,885	14,948,805	796,839	12,598,021
Shares redeemed	(4,625,977)	(74,794,820)	(3,605,896)	(58,187,395)
Net increase (decrease)	(737,212)	$ (11,817,756)	545,431	$ 8,458,865

3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

a. Management Fees

The Fund pays an investment management fee to Advisers based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.625%	Up to and including $100 million
0.500%	Over $100 million, up to and including $250 million
0.450%	Over $250 million, up to and including $7.5 billion
0.440%	Over $7.5 billion, up to and including $10 billion
0.430%	Over $10 billion, up to and including $12.5 billion
0.420%	Over $12.5 billion, up to and including $15 billion
0.400%	In excess of $15 billion

For the year ended December 31, 2018, the gross effective investment management fee rate was 0.455% of the Fund's average daily net assets.

b. Administrative Fees

Under an agreement with Advisers, FT Services provides administrative services to the Fund. The fee is paid by Advisers based on the Fund's average daily net assets, and is not an additional expense of the Fund.

Franklin Income VIP Fund (continued)

3. Transactions with Affiliates (continued)

c. Distribution Fees

The Board has adopted distribution plans for Class 2 and Class 4 shares pursuant to Rule 12b-1 under the 1940 Act. Under the Fund's compensation distribution plans, the Fund pays Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to 0.35% per year of its average daily net assets of each class. The Board has agreed to limit the current rate to 0.25% per year for Class 2. The plan year, for purposes of monitoring compliance with the maximum annual plan rates, is February 1 through January 31.

d. Transfer Agent Fees

Investor Services, under terms of an agreement, performs shareholder servicing for the Fund and is not paid by the Fund for the services.

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. During the year ended December 31, 2018, 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	Investment Income	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)
Non-Controlled Affiliates								
						Dividends		
Institutional Fiduciary Trust Money Market Portfolio, 1.99%	351,784,455	1,767,175,613	(1,961,766,894)	157,193,174	$157,193,174	$3,827,185	$ —	$ —
						Income from securities loaned		
Institutional Fiduciary Trust Money Market Portfolio, 1.99%	1,040,000	105,498,000	(105,439,000)	1,099,000	1,099,000	127,105	—	—
Total Affiliated Securities					$158,292,174	$3,954,290	$ —	$ —

f. Other Affiliated Transactions

At December 31, 2018, Franklin Templeton Variable Insurance Products Trust - Franklin Founding Funds Allocation VIP Fund owned 5.1% of the Fund's outstanding shares.

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended December 31, 2018, the custodian fees were reduced as noted in the Statement of Operations.

5. Income Taxes

For tax purposes, capital losses may be carried over to offset future capital gains. Capital loss carryforwards with no expiration, if any, must be fully utilized before those losses with expiration dates.

Franklin Income VIP Fund (continued)

During the year ended December 31, 2018, the Fund utilized $230,169,469 of capital loss carryforwards.

The tax character of distributions paid during the years ended December 31, 2018 and 2017, was as follows:

	2018	2017
Distributions paid from ordinary income	$276,822,065	$255,768,014

At December 31, 2018, the cost of investments, net unrealized appreciation (depreciation), undistributed ordinary income and undistributed long term capital gains for income tax purposes were as follows:

Cost of investments	$5,094,918,384
Unrealized appreciation	$ 387,537,001
Unrealized depreciation	(520,906,576)
Net unrealized appreciation (depreciation)	$ (133,369,575)
Distributable earnings:	
Undistributed ordinary income	$ 268,406,913
Undistributed long term capital gains	80,908,172
Total distributable earnings	$ 349,315,085

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of bond discounts and premiums and equity-linked securities.

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2018, aggregated $2,339,321,168 and $2,745,193,123, respectively.

At December 31, 2018, in connection with securities lending transactions, the Fund loaned corporate bonds and received $1,374,043 of cash collateral. The gross amount of recognized liability for such transactions is included in payable upon return of securities loaned in the Statement of Assets and Liabilities. The agreements can be terminated at any time.

7. Credit Risk and Defaulted Securities

At December 31, 2018, the Fund had 35.6% of its portfolio invested in high yield, senior secured floating rate loans, or other securities rated below investment grade and unrated securities, if any. These securities may be more sensitive to economic conditions causing greater price volatility and are potentially subject to a greater risk of loss due to default than higher rated securities.

The Fund held defaulted securities and/or other securities for which the income has been deemed uncollectible. At December 31, 2018, the value of this security was $8,885,432, representing 0.2% of the Fund's net assets. The Fund discontinues accruing income on securities for which income has been deemed uncollectible and provides an estimate for losses on interest receivable. The security has been identified in the accompanying Statement of Investments.

Franklin Income VIP Fund (continued)

8. Other Derivative Information

For the year ended December 31, 2018, the effect of derivative contracts in the Fund's Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Operations Location	Net Realized Gain (Loss) for the Year	Statement of Operations Location	Net Change in Unrealized Appreciation (Depreciation) for the Year
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Equity contracts	Investments	$(1,532,000)[a]	Investments	$1,147,000[a]
	Written options	3,958,115	Written options	575,894
Totals.		$ 2,426,115		$1,722,894

[a]Purchased option contracts are included in net realized gain (loss) from investments and net change in unrealized appreciation (depreciation) on investments in the Statement of Operations.

For the year ended December 31, 2018, the average month end notional amount of options represented 582,154 shares.

See Note 1(e) regarding derivative financial instruments.

9. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling $2 billion (Global Credit Facility) which matured on February 8, 2019. 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 8, 2019, the Borrowers renewed the Global Credit Facility for a one year term, maturing February 7, 2020, for a total of $2 billion.

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, 2018, the Fund did not use the Global Credit Facility.

10. Fair Value Measurements

The Fund follows a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's financial instruments and are summarized in the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

Franklin Income VIP Fund (continued)

A summary of inputs used as of December 31, 2018, 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]				
Financials	$ 325,025,733	$ 10,093,750	$ —	$ 335,119,483
Industrials	50,545,500	8,596,495	—	59,141,995
Materials	84,532,300	48,759,650	—	133,291,950
All Other Equity Investments	1,270,238,975	—	—	1,270,238,975
Equity-Linked Securities	—	448,607,670	—	448,607,670
Index-Linked Notes	—	12,995,484	—	12,995,484
Convertible Bonds	—	43,634,242	—	43,634,242
Corporate Bonds	—	1,937,151,902	—	1,937,151,902
Senior Floating Rate Interests	—	187,341,984	—	187,341,984
U.S. Government and Agency Securities	—	375,457,907	—	375,457,907
Escrows and Litigation Trusts	—	—	—[c]	—
Short Term Investments	158,292,174	275,043	—	158,567,217
Total Investments in Securities	$ 1,888,634,682	$ 3,072,914,127	$ —	$ 4,961,548,809

[a]For detailed categories, see the accompanying Statement of Investments.
[b]Includes common and convertible preferred stocks.
[c]Includes securities determined to have no value at December 31, 2018.

A reconciliation of assets in which Level 3 inputs are used in determining fair value is presented when there are significant Level 3 financial instruments at the beginning and/or end of the year.

11. Subsequent Events

The Fund has evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure other than those already disclosed in the financial statements.

Abbreviations

Currency		Selected Portfolio	
EUR	Euro	**ADR**	American Depositary Receipt
USD	United States Dollar	**FNMA**	Federal National Mortgage Association
		FRN	Floating Rate Note
		LIBOR	London InterBank Offered Rate

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Franklin Templeton Variable Insurance Products Trust and Shareholders of Franklin Income VIP Fund

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Franklin Income VIP Fund (the "Fund") as of December 31, 2018, the related statement of operations for the year ended December 31, 2018, the statement of changes in net assets for each of the two years in the period ended December 31, 2018, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2018 (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, 2018, 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, 2018 and the financial highlights for each of the five years in the period ended December 31, 2018 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, 2018 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

San Francisco, California
February 15, 2019

We have served as the auditor of one or more investment companies in the Franklin Templeton Group of Funds since 1948.

Tax Information (unaudited)

Franklin Income VIP Fund

Under Section 854(b)(1)(A) of the Internal Revenue Code, the Fund hereby reports 22.73% of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended December 31, 2018.

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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 U.S. Aggregate Bond Index is a market capitalization-weighted index representing the U.S. investment-grade, fixed-rate, taxable bond market with index components for government and corporate, mortgage pass-through and asset-backed securities. All issues included are SEC registered, taxable, dollar denominated and nonconvertible, must have at least one year to final maturity and must be rated investment grade (Baa3/BBB-/BBB- or higher) using the middle rating of Moody's, Standard & Poor's and Fitch, respectively.

Bloomberg Barclays U.S. Government Index: Intermediate Component is the intermediate component of the Barclays U.S. Government Index, which includes public obligations of the U.S. Treasury with at least one year to final maturity and publicly issued debt of U.S. government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. government.

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.

FTSE World Government Bond Index is a market capitalization-weighted index consisting of investment-grade world government bond 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 U.S. and foreign governments, with a significant portion rated below investment grade. For the 12-month period ended 12/31/18, there were 320 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 12/31/18, there were 81 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

Lipper VIP General U.S. Government Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper General U.S. Government Funds classification in the Lipper VIP underlying funds universe. Lipper General U.S. Government Funds invest primarily in U.S. government and agency issues. For the 12-month period ended 12/31/18, 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 U.S.) and 23 emerging markets countries. The index covers approximately 85% of the global equity opportunity set outside the U.S.

MSCI Emerging Markets (EM) Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global emerging markets.

MSCI 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 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 U.S. equity market performance.

Standard & Poor's®/International Finance Corporation Investable (S&P/IFCI) Composite Index is a free float-adjusted, market capitalization-weighted index designed to measure equity performance in global emerging markets.

Board Members and Officers

The name, year of birth and address of the officers and board members, as well as their affiliations, positions held with the Trust, principal occupations during at least the past five years and number of U.S. 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	136	Bar-S Foods (meat packing company) (1981-2010).

Principal Occupation During at Least the Past 5 Years:
Director of various companies; and **formerly**, Director, RBC Holdings, Inc. (bank holding company) (until 2002); and President, Chief Executive Officer and Chairman of the Board, General Host Corporation (nursery and craft centers) (until 1998).

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Terrence J. Checki (1945) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2017	112	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).

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Mary C. Choksi (1950) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2014	136	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).

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Edith E. Holiday (1952) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2005	136	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) (2016-present), 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).

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
J. Michael Luttig (1954) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2009	136	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	136	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).

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
John B. Wilson (1959) One Franklin Parkway San Mateo, CA 94403-1906	Lead Independent Trustee	Trustee since 2007 and Lead Independent Trustee since 2008	112	None

Principal Occupation During at Least the Past 5 Years:
President and Founder, Hyannis Port Capital, Inc. (real estate and private equity investing) (2002-present); Senior Advisor, McKinsey & Co. (consulting) (2017-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	150	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 42 of the investment companies in Franklin Templeton Investments; Vice Chairman, Investment Company Institute; and **formerly**, President, Franklin Resources, Inc. (1994-2015).

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
****Rupert H. Johnson, Jr. (1940)** One Franklin Parkway San Mateo, CA 94403-1906	Chairman of the Board, and Trustee	Chairman of the Board since 2013, and Trustee since 1988	136	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 40 of the investment companies in Franklin Templeton Investments.

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Alison E. Baur (1964) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2012	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
Deputy General Counsel, Franklin Templeton Investments; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 44 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	Treasurer, Chief Financial Officer and Chief Accounting Officer	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 44 of the investment companies in Franklin Templeton Investments.

Steven J. Gray (1955) One Franklin Parkway San Mateo, CA 94403-1906	Vice President and Co-Secretary	Vice President since 2009 and Co-Secretary since January 2019	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 44 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 2017	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
Senior Vice President, Franklin Templeton Services, LLC; officer of 44 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).

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 44 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 44 of the investment companies in Franklin Templeton Investments.

Edward D. Perks (1970) One Franklin Parkway San Mateo, CA 94403-1906	President and Chief Executive Officer – Investment Management	Since December 2018	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
President and Director, Franklin Advisers, Inc.; and officer of nine of the investment companies in Franklin Templeton Investments (since December 2018).

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 44 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).				
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 44 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 44 of the investment companies in Franklin Templeton Investments.				
Lori A. Weber (1964) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President and Co-Secretary	Vice President since 2011 and Co-Secretary since January 2019	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 44 of the investment companies in Franklin Templeton Investments.				

*We base the number of portfolios on each separate series of the U.S. registered investment companies within the Franklin Templeton Investments fund complex. These portfolios have a common investment manager or affiliated investment managers.

**Gregory E. Johnson is considered to be an interested person of the Fund under the federal securities laws due to his position as an officer and director of Franklin Resources, Inc. (Resources), which is the parent company of the Fund's investment manager and distributor. Rupert H. Johnson, Jr. is considered to be an interested person of the Fund under the federal securities laws due to his position as an 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

Board Approval of Investment Management Agreements

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST

Franklin Founding Funds Allocation VIP Fund
(Fund)

At a meeting held on October 23, 2018 (Meeting), the Board of Trustees (Board) of Franklin Templeton Variable Insurance Products Trust (Trust), including a majority of the trustees who are not “interested persons” as defined in the Investment Company Act of 1940 (Independent Trustees), reviewed and approved (i) a new investment management agreement between Franklin Advisers, Inc. (FAV) and the Trust, on behalf of the Fund, and (ii) new investment sub-advisory agreements (each a Sub-Advisory Agreement) between FAV and each of Franklin Templeton Institutional, LLC and Templeton Global Advisors Limited (each a Sub-Adviser), affiliates of FAV, on behalf of the Fund (each a Management Agreement) for an initial two year period effective on or about May 1, 2019, subject to prior approval of the shareholders of the Fund. The Independent Trustees received advice from and met separately with Independent Trustee counsel in considering whether to approve each new Management Agreement. FAV and the Sub-Advisers are each referred to herein as a Manager.

The Board reviewed and considered information provided by each Manager at the Meeting. The Board also considered a form of Management Agreement and Sub-Advisory Agreement, which have terms that are consistent with the current investment management agreements and investment sub-advisory agreements used for other funds in the Franklin Templeton Investments (FTI) fund complex. The Board further considered the code of ethics applied to the employees of each Manager and compliance policies and procedures applied to the employees of each Manager. The Board noted that the Fund currently maintains a static allocation to underlying funds and so does not currently have an investment manager, nor pay investment management fees. The Board discussed with FAV the reasons for its request that the Board approve the new Management Agreements, including the proposed repositioning of the Fund from a fund-of-funds with a static allocation strategy to a direct investment fund with an actively managed dynamic allocation strategy. The Board noted FAV’s explanation that, as currently structured, the Fund generally does not meet the eligibility criteria for insurance companies’ living benefits products. The Board also noted that the Fund’s assets have declined substantially, from $4.2 billion as of August 31, 2012, to $923 million as of August 31, 2018. The Board further noted management’s belief that the proposed repositioning will enable the Fund to be more widely distributed across insurance company platforms, reduce the volatility of the Fund’s returns and reduce the Fund’s overall expenses.

The Board reviewed and considered all of the factors it deemed relevant in approving each new Management Agreement, including, but not limited to: (i) the nature, extent and quality of the services to be provided by each Manager; (ii) the investment performance of the Fund; (iii) the costs of the services to be provided to the Fund; and (iv) the extent to which economies of scale are expected to be realized. The Board noted management’s proposal to request shareholder approval to allow the Fund to use a manager-of-manager structure as many other funds in the FTI fund complex have in place. The Board also noted that the Fund’s name would be changed to the “Franklin Allocation VIP Fund” to better reflect the repositioned strategy and structure of the Fund. In determining that the terms of each Management Agreement are fair and reasonable, the Board noted the level of services to be provided under each Management Agreement and the anticipated decrease in the overall fees and expenses of the Fund.

Nature, Extent and Quality of Services
The Board considered information regarding the nature, extent and quality of investment management services to be provided by each Manager and its affiliates to the Fund and its shareholders. In particular, the Board took into account management’s belief that the proposed repositioning, including the change from a static allocation fund-of-funds to a direct investment allocation fund, will enable the Fund to be more widely distributed across insurance company platforms and reduce the Fund’s overall expenses. The Board noted each Manager’s experience as manager of other funds and accounts, including those within the FTI organization; the personnel, operations, financial condition, and investment management capabilities, methodologies and resources of each Manager and each Manager’s capabilities, as demonstrated by, among other things, their policies and procedures designed to prevent violations of the Federal securities laws, which had previously been approved by the Board in connection with its oversight of other funds in the FTI organization.

Following consideration of such information, the Board was satisfied with the nature, extent and quality of services to be provided by each Manager and its affiliates to the Fund and its shareholders.

Fund Performance
The Board reviewed and considered the performance results of the Fund over various time periods ended August 31, 2018. The Board considered the performance returns for the Fund in comparison to the performance returns of mutual funds deemed comparable to the Fund included in a universe (Performance Universe) selected by Broadridge Financial Solutions, Inc. (Broadridge), an independent provider of investment company data. The Board received a description of the methodology used by Broadridge to select the mutual funds included in the Performance Universe. The Board also considered Fund performance reports provided and discussions that occurred with portfolio managers at Board meetings throughout the year. A summary of the Fund's performance results is below.

The Performance Universe for the Fund included the Fund and all mixed-asset target allocation growth funds underlying variable insurance products (VIPs). The Board noted that the Fund's annualized income return for the one-, three-, five- and 10-year periods was above the median of its Performance Universe. The Board also noted that the Fund's annualized total return for the one-, three-, five- and 10-year periods was below the median of its Performance Universe. Given the Fund's income-oriented focus, the Board concluded that the Fund's performance was satisfactory, but noted that it did not consider the current performance of the Fund to be a material factor in its consideration of the Management Agreements given the proposed repositioning and restructuring of the Fund.

Comparative Fees and Expenses
The Board reviewed and considered information regarding the Fund's proposed total expense ratio and its various components, including, as applicable, management fees; transfer agent expenses; underlying fund expenses; Rule 12b-1 and non-Rule 12b-1 service fees; and other non-management fees. The Board considered the proposed total expense ratio and, separately, the proposed contractual management fee rate, without the effect of fee waivers (Management Rate), if any, of the Fund in comparison to the median expense ratio and median Management Rate, respectively, of other mutual funds deemed comparable to and with a similar expense structure as proposed for the Fund selected by Broadridge (Expense Group). Broadridge fee and expense data is based upon information taken from each fund's most recent annual report, which reflects historical asset levels that may be quite different from those currently existing, particularly in a period of market volatility. While recognizing such inherent limitation and the fact that expense ratios and Management Rates generally increase as assets decline and decrease as assets grow, the Board believed the independent analysis conducted by Broadridge to be an appropriate measure of comparative fees and expenses. The Broadridge Management Rate includes administrative charges, and the proposed total expense ratio was shown for Class 4 of the Fund and an actual total expense ratio was shown for Class B, Class 2, Class II, Service Class and Class S of the other funds in the Expense Group. The Board received a description of the methodology used by Broadridge to select the mutual funds included in the Expense Group.

The Expense Group for the Fund included the Fund and seven other mixed-asset target allocation growth funds underlying VIPs. The Board noted that the Management Rate and proposed total expense ratio were below the medians of its Expense Group. The Board concluded that the Management Rate to be charged to the Fund is reasonable. In doing so, the Board noted that the Fund's proposed total expense ratio reflected a fee waiver from management and that the Sub-Advisers would be paid by FAV out of the management fee FAV would receive from the Fund.

Profitability
The Board then noted that FAV and its affiliates could not report any financial results from their relationships with the Fund because the Fund does not currently have an investment manager, nor pay investment management fees, and thus, the Board could not evaluate FAV's or its affiliates' profitability with respect to the Fund. The Board noted that investment management fees are currently paid by the underlying funds in which the Fund invests.

Economies of Scale
The Board considered the extent to which FAV and its affiliates may realize economies of scale, if any, and whether the Fund's proposed management fee structure reflects any economies of scale for the benefit of shareholders. The Board noted that FAV (and its affiliates) could not report on any potential economies of scale at this time given the repositioning and restructuring of the Fund, but would be able to do so in connection with the Fund's annual contract renewal process.

Conclusion
Based on its review, consideration and evaluation of all factors it believed relevant, including the above-described factors and conclusions, the Board unanimously approved each Management Agreement for an initial two year period effective

on or about May 1, 2019, subject to prior approval of the shareholders of the Fund.

Proxy Voting Policies and Procedures

The Trust's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Trust uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Trust's complete Policies online at franklintempleton.com. Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at (954) 527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. Copies of the Trust's proxy voting records are also made available online at franklintempleton.com and posted on the U.S. Securities and Exchange Commission's website at sec.gov and reflect the most recent 12-month period ended June 30.

Quarterly Statement of Investments

The Trust files a complete statement of investments with the U.S. Securities and Exchange Commission for the first and third quarters for each fiscal year on Form N-Q. Shareholders may view the filed Form N-Q by visiting the Commission's website at sec.gov. The filed form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling (800) SEC-0330.

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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.

VIP A 02/19

Annual Report

December 31, 2018

Franklin Templeton Variable Insurance Products Trust

<u>Internet Delivery of Shareholder Reports:</u> Effective January 1, 2021, as permitted by regulations adopted by the SEC, you may not be receiving paper copies of the Fund's annual or semiannual shareholder reports by mail, unless you specifically request them from the insurance company that offers your variable annuity or variable life insurance contract or your financial intermediary. Instead of delivering paper copies of the report, the insurance company may choose to make the reports available on a website, and will notify you by mail each time a shareholder report is posted and provide you with a website link to access the report. Instructions for requesting paper copies will be provided by your insurance company.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the insurance company or your financial intermediary electronically by following the instructions provided by the insurance company or by contacting your financial intermediary.

You may elect to receive all future Fund shareholder reports in paper free of charge from the insurance company. You can inform the insurance company or your financial intermediary that you wish to continue receiving paper copies of your shareholder reports by following the instructions provided by the insurance company or by contacting your financial intermediary. Your election to receive reports in paper will apply to all portfolio companies available under your contract with the insurance company.

This notice is not legally a part of the shareholder report.

Franklin Templeton Variable Insurance Products Trust Annual Report

Table of Contents

Important Notes to Performance Information i

***Supplement to the Prospectus for all Funds** PS-1

Fund Summary

Franklin Mutual Global Discovery VIP Fund MGD-1

***Prospectus Supplement** MGD-9

Index Descriptions I-1

Board Members and Officers BOD-1

Shareholder Information SI-1

*Not part of the annual report. Retain for your records.

Not FDIC Insured | May Lose Value | No Bank Guarantee

CMFG LIFE INS. CO. AND MEMBERS LIFE INS. CO. A 02/19

Important Notes to Performance Information

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

When reviewing the index comparisons, please keep in mind that indexes have a number of inherent performance differentials over the funds. First, unlike the funds, which must hold a minimum amount of cash to maintain liquidity, indexes do not have a cash component. Second, the funds are actively managed and, thus, are subject to management fees to cover salaries of securities analysts or portfolio managers in addition to other expenses. Indexes are unmanaged and do not include any commissions or other expenses typically associated with investing in securities. Third, indexes often contain a different mix of securities than the fund to which they are compared. Additionally, please remember that indexes are simply a measure of performance and cannot be invested in directly.

SUPPLEMENT DATED JULY 10, 2018
TO THE PROSPECTUS DATED MAY 1, 2018
OF
FRANKLIN FLEX CAP GROWTH VIP FUND
FRANKLIN FOUNDING FUNDS ALLOCATION VIP FUND
FRANKLIN GLOBAL REAL ESTATE VIP FUND
FRANKLIN GROWTH AND INCOME VIP FUND
FRANKLIN INCOME VIP FUND
FRANKLIN LARGE CAP GROWTH VIP FUND
FRANKLIN MUTUAL GLOBAL DISCOVERY VIP FUND
FRANKLIN MUTUAL SHARES VIP FUND
FRANKLIN RISING DIVIDENDS VIP FUND
FRANKLIN SMALL CAP VALUE VIP FUND
FRANKLIN SMALL-MID CAP GROWTH VIP FUND
FRANKLIN STRATEGIC INCOME VIP FUND
FRANKLIN U.S. GOVERNMENT SECURITIES VIP FUND
FRANKLIN VOLSMART ALLOCATION VIP FUND
TEMPLETON DEVELOPING MARKETS VIP FUND
TEMPLETON FOREIGN VIP FUND
TEMPLETON GLOBAL BOND VIP FUND
TEMPLETON GROWTH VIP FUND
(each a series of Franklin Templeton Variable Insurance Products Trust)

I. The following replaces the third paragraph in the prospectus under "Additional Information, All Funds – Fund Account Information – Fund Account Policies – Calculating Share Price:"

The Fund calculates the NAV per share each business day as of 1 p.m. Pacific time or the regularly scheduled close of the New York Stock Exchange (NYSE), whichever is earlier. The Fund does not calculate the NAV on days the NYSE is closed for trading, which include New Year's Day, Martin Luther King Jr. Day, President's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. If the NYSE has a scheduled early close, the Fund's share price would be determined as of the time of the close of the NYSE. If, due to weather or other special or unexpected circumstances, the NYSE has an unscheduled early close on a day that it has opened for business, the Fund reserves the right to consider that day as a regular business day and accept purchase and redemption orders and calculate its share price as of the normally scheduled close of regular trading on the NYSE.

Please keep this supplement with your prospectus for future reference.

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Franklin Mutual Global Discovery VIP Fund

This annual report for Franklin Mutual Global Discovery VIP Fund covers the fiscal year ended December 31, 2018.

Class 4 Performance Summary as of December 31, 2018

Average annual total return of Class 4 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 12/31/18	1-Year	5-Year	10-Year
Average Annual Total Return	-11.31%	+1.85%	+7.77%

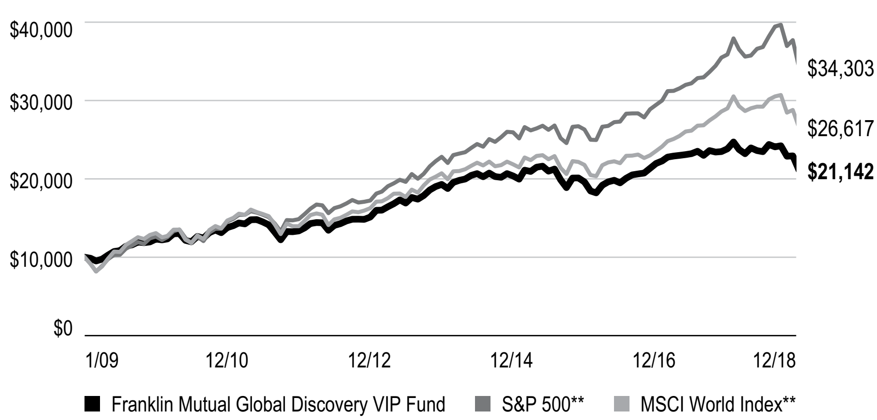
*The Fund has a fee waiver associated with any investment it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through 4/30/19. Fund investment results reflect the fee waiver; without this waiver, the results would have been lower.

*Performance reflects the Fund's Class 4 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 (1/1/09–12/31/18)

The graph below shows the change in value of a hypothetical $10,000 investment in the Fund over the indicated period and includes reinvestment of any income or distributions. The Fund's performance* is compared to the performance of the MSCI World Index and the Standard & Poor's® 500 Index (S&P 500®). One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. **Please see Important Notes to Performance Information preceding the Fund Summaries.**



**Source: Morningstar. Please see Index Descriptions following the Fund Summaries.

Fund Goal and Main Investments

The Fund seeks capital appreciation. Under normal market conditions, the Fund invests primarily in U.S. and foreign equity securities that the investment manager believes are available at market prices less than their intrinsic value. The equity securities in which the Fund invests are primarily common stock. To a lesser extent, the Fund also invests in merger arbitrage securities and the debt and equity of distressed companies. The Fund may invest substantially and potentially up to 100% of its assets in foreign securities, which may include sovereign debt and participations in foreign government debt.

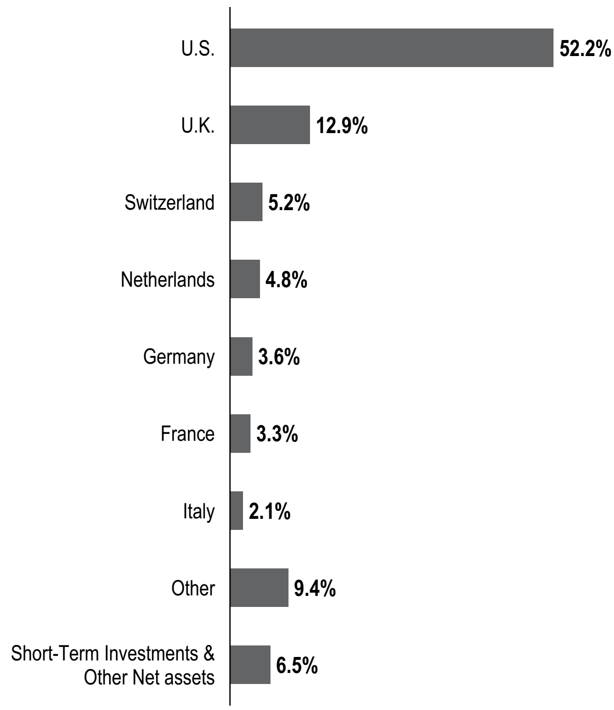
Fund Risks

All investments involve risks, including possible loss of principal. Value securities may not increase in price as anticipated, or may decline further in value. The Fund's investments in foreign securities involve certain risks including currency fluctuations, and economic and political uncertainties. Because the Fund may invest at least a significant portion of its assets in companies in a specific region, including Europe, the Fund is subject to greater risks of adverse developments in that region and/or the surrounding regions than a fund that is more broadly diversified geographically. Securities issued by smaller and midsize companies may be more volatile in price than those of larger companies, involve substantial risks and should be considered speculative. Derivatives involve costs and can create economic leverage in the Fund's portfolio which may result in significant volatility and cause the Fund to participate in losses (as well as gains) in an amount that exceeds the Fund's initial investment. The Fund's investments in companies engaged in mergers, reorganizations or liquidations also involve special risks as pending deals may not be completed on time or on favorable terms. The Fund may invest in lower rated bonds, which entail higher credit risk. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Performance Overview

You can find the Fund's one-year total return in the Performance Summary. In comparison, the Fund's benchmark, the S&P 500, had a -4.38% total return and the MSCI World Index had a -8.20% total return for the same period.[1]

Geographic Composition*
Based on Total Net Assets as of 12/31/18



*Figures are stated as a percentage of total and may not equal 100% or may be negative due to rounding, use of any derivatives, unsettled trades or other factors.

Economic and Market Overview

The global economy expanded during the 12 months under review, despite weakness in certain regions. Global developed and emerging market stocks were aided at certain points during the period by higher crude oil prices, upbeat economic data, easing trade tensions and encouraging corporate earnings reports, as well as indications of a slower pace of interest-rate increases from the U.S. Federal Reserve (Fed).

However, various factors weighed on global markets during the period, including concerns about tighter regulation of technology companies, political uncertainties in the U.S. and the European Union, and major central banks' interest-rate path and unwinding of monetary stimulus measures. Markets were further pressured by U.S. trade disputes with its allies and China, and their impact on global growth and corporate

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).

earnings. In this environment, global stocks, as measured by the MSCI All Country World Index, had a -8.93% total return for the 12 months ended December 31, 2018.[1]

The U.S. economy grew during the 12-month period. After moderating for three consecutive quarters, the economy grew faster in 2018’s second quarter, driven by consumer spending, business investment, exports and government spending. However, growth moderated in the third quarter due to declines in exports and housing investment. The unemployment rate declined from 4.1% in December 2017 to 3.9% at period-end.[2] Annual inflation, as measured by the Consumer Price Index, decreased from 2.1% in December 2017 to 1.9% at period-end.[2] The Fed raised its target range for the federal funds rate four times during the period, to 2.25%–2.50%, and continued reducing its balance sheet as part of an ongoing plan to normalize monetary policy. At its December meeting, the Fed reduced the projected 2019 rate increases to two, compared to three projected previously.

In Europe, the U.K.’s quarterly economic growth moderated in 2018’s first quarter, but accelerated in 2018’s second and third quarters. The Bank of England raised its key policy rate once during the review period. After moderating in 2018’s first quarter, the eurozone’s quarterly growth remained stable in the second quarter, but eased in the third quarter. The bloc’s annual inflation rate ended the period higher than in December 2017. The European Central Bank (ECB) kept its benchmark interest rate unchanged during the period. In December 2018, the ECB confirmed its plan to conclude its bond purchase program at the end of 2018 and reiterated it expects key interest rates to remain unchanged through the summer of 2019.

In Asia, Japan’s quarterly gross domestic product (GDP) grew in 2018’s second quarter, following a contraction in the first quarter, but contracted again in the third quarter. The Bank of Japan left its benchmark interest rate unchanged during the period and continued its monetary stimulus measures.

In emerging markets, Brazil’s quarterly GDP growth remained stable in 2018’s first and second quarters, but accelerated in the third quarter. The Central Bank of Brazil lowered its benchmark interest rate twice during the period. Russia’s annual GDP growth rate accelerated in 2018’s first and second quarters, but moderated in the third quarter. After lowering its key rate twice early in the period, the Bank of Russia raised it twice in the period’s second half to curtail inflation risks. China’s annual GDP grew at a stable rate in 2018’s first quarter, but it moderated in the second and third quarters. The People’s Bank of China left its benchmark interest rate unchanged during the period, but it took measures to improve financial liquidity to mitigate the negative effects of the U.S.-China trade dispute and support economic growth. Overall, emerging market stocks, as measured by the MSCI Emerging Markets Index, had a -14.25% total return during the period.[1]

Investment Strategy

At Franklin Mutual Advisors, we are committed to our distinctive value approach to investing. Our major investment strategy is investing in undervalued stocks. When selecting undervalued equities, we are attracted to what we believe are fundamentally strong companies with healthy balance sheets, high-quality assets, substantial free cash flow and shareholder-oriented management teams and whose stocks are trading at discounts to our assessment of the companies’ intrinsic or business value. We also look for asset-rich companies whose shares may be trading at depressed levels due to concerns over short-term earnings disappointments, litigation, management strategy or other perceived negatives. While the vast majority of our undervalued equity investments are made in publicly traded companies globally, we may invest occasionally in privately held companies as well.

We complement this more traditional investment strategy with two others. One is distressed investing, which is complex and can take many forms. The most common distressed investment the Fund undertakes is the purchase of financially troubled or bankrupt companies’ debt at a substantial discount to face value. After the financially distressed company is reorganized, often in bankruptcy court, the old debt is typically replaced with new securities issued by the financially stronger company.

The other piece of our investment strategy is participating in arbitrage situations, another highly specialized field. When companies announce proposed mergers or takeovers, commonly referred to as “deals,” the target company may trade at a discount to the bid it ultimately accepts. One form of arbitrage involves purchasing the target company’s stock when it is trading below the value we believe it would receive in a deal. In keeping with our commitment to a relatively conservative investment approach, we typically focus our arbitrage efforts on announced deals, and eschew rumored deals or other situations we consider relatively risky.

2. Source: U.S. Bureau of Labor Statistics.

In addition, it is our practice to hedge the Fund's currency exposure when we deem it advantageous for our shareholders.

What is meant by "hedge"?

To hedge an investment is to take a position intended to offset potential losses/gains that may be incurred by a companion financial instrument.

Manager's Discussion

In 2018, corporate profits in the U.S. and other developed markets continued their impressive year-over-year growth. In addition, labor markets showed further improvement, consumer spending was solid, and U.S. corporate tax reforms encouraged companies to buy back more stock, raise dividends and increase capital expenditures. Those positive fundamentals were periodically overshadowed by political and economic concerns, particularly in the final three months of the year.

As major U.S. equity markets established new all-time highs in 2018, overall U.S. equity market valuations (e.g., price-to-earnings, price-to-book or price-to-sales) became increasingly unattractive, in our analysis. The equity market sell-off in the fourth-quarter helped to return valuations to more reasonable levels. The sell-off and rise in volatility yielded an opportunity for us to seek out stocks with strong corporate fundamentals and valuations whose risk/reward profiles seemed to us to have become more favorable.

In 2019, policy events may have considerable influence, for better or worse, on economic growth, investor sentiment and financial market performance and volatility. Markets are likely to be particularly sensitive to developments in U.S.-China trade relations, monetary policy moves by the U.S. Federal Reserve and other major central banks, oil production decisions by OPEC (The Organization of the Petroleum Exporting Countries) and other oil producing countries, the outcome of Brexit, China's response to its slowing economy and potential political discord in Washington, D.C.

Europe's equity market overall was trading at an attractively lower price-to-earnings multiple and higher dividend yield than the U.S. equity market at period-end. We also saw an increase in investor activism, which we viewed as encouraging. However, those favorable factors were offset in part by economic data, which showed a greater degree of deceleration in activity across the region. From an investment standpoint, we are hopeful that 2019 will be a year of potential resolution and clarity. The biggest political event will likely be Brexit, as a resolution to the situation remained unclear as of period-end. The uncertainty around the terms and timing of a deal continued to undermine consumer and corporate confidence. From our perspective, we believe the European Union and the U.K. will ultimately reach an agreement that makes sense for both sides, and we believe the approval of such an agreement would likely have a significantly positive effect on investor, consumer and corporate sentiment in the U.K. We will also pay close attention to structural reform efforts in France and the political transition in Germany. In December, Chancellor Angela Merkel stepped down as leader of the Christian Democratic Union but stated her intention to remain in office for the remaining three years of her term as Chancellor.

Top 10 Sectors/Industries
12/31/18

	% of Total Net Assets
Banks	11.8%
Oil, Gas & Consumable Fuels	9.8%
Insurance	9.5%
Pharmaceuticals	9.4%
Health Care Equipment & Supplies	4.2%
Technology Hardware, Storage & Peripherals	3.4%
Software	3.4%
Media	3.3%
Automobiles	2.9%
Tobacco	2.8%

In Asia, economic and financial market weakness in China has been brought on by multiple factors. The U.S.-China trade conflict has disrupted manufacturing activity and supply chains. As trade tensions escalated in 2018, manufacturers accelerated production in order to avoid upcoming tariffs. At year-end, supply chains were filled with inventory, while manufacturing activity was weak. Entering 2019, the near-term question is how long the inventory overhang will last, while the more significant question is to what extent the trade conflict will alter supply chains in the medium to long term. Amid the trade conflict, China has proven resolute in its attempt to dampen the reliance on leverage, which has weighed on economic activity as well. While the government has enacted some stimulus measures, such as tax cuts, they may be less impactful than prior stimulus through fiscal spending. Meanwhile, government social policies impacting personal freedoms have had a negative effect on consumer sentiment.

Investment Spotlight

In all market environments, we seek to invest prudently in securities that we believe represent good value. We do this by seeking securities that trade at a discount to our intrinsic value estimate, taking into account the quality of the asset, the sustainability of returns, and the growth potential of the business. We also believe the potential to deliver the best risk-adjusted return over a full market cycle requires us to be focused on applying our cross-asset approach: owning equities and debt—in certain cases multiple securities across the capital structure of a company—across geographies and sectors with an emphasis on corporate actions as catalysts. Our health care sector positions are a good example of our investment process. They have been carefully selected over a number of years, and in 2018, many of our long-standing sector investments appreciated meaningfully. Collectively our sector exposure outperformed the health care sector within the MSCI World Index.[3]

Within the health care sector, our investment process has generally been focused on finding innovative companies that are market leaders and that invest substantial amounts of capital into research and development (R&D) as a means to sustain and grow market positions. In addition, many of our positions have been in diversified pharmaceutical companies that also have long-duration cash flows through their leading positions in animal health, vaccine, and over-the-counter medicine businesses. These businesses can offer downside protection in years when pharmaceutical R&D is less successful or in years when important products lose patent protection. These businesses are attractive and have been undervalued by the market. This undervaluation allowed us to build positions, and in 2018, some of this undervaluation was reversed.

Eli Lilly and Merck are quintessential examples of our investment process. They are leading innovation-driven pharmaceutical companies that invest substantial amounts of capital into R&D to develop transformative medicines. Both companies have introduced innovative new products in the past many years like Trulicity for diabetes and Keytruda for oncology that we believe will continue to offer substantial long-term revenue growth. The management teams at both companies take a long-term view and focus on enhancing their market positions through both internal and external innovation. Acquiring late stage innovation can be expensive, which is why Lilly and Merck take a prudent approach to generally focusing on early stage assets. Competition is typically less intense for early stage assets, and they can add value through their own development process and pass along that value to shareholders. Shareholder focus also comes through at both companies through their return of excess capital to shareholders through large dividends and share buybacks.

In our view, both companies also have strong, long-duration assets. Lilly and Merck are the fourth and third largest players in animal health, respectively. In September 2018, Lilly sold some Elanco[4] shares to the public in order to create additional shareholder value, while Merck started providing segment level profit disclosures so investors could better appreciate the contribution and value of their animal health business. Merck is also the second largest player in vaccines, a highly attractive business that is underappreciated, in our opinion.

Another common feature between Lilly and Merck is their strong balance sheets. Both companies also generate substantial amounts of free cash flows, with a significant proportion returned to shareholders in the form of dividends and share buybacks. In addition, the two companies are focused on managing their business more efficiently and improving their operating margins, which we believe will lead to additional earnings growth over the next several years.

Mergers and Acquisitions

In health care and elsewhere, merger and acquisition (M&A) activity remained healthy in 2018. The market received some clarity regarding the regulatory environment when a federal judge ruled in favor of AT&T and Time Warner[5], and against the U.S. Department of Justice, in its antitrust lawsuit. However, economic, financial market and geopolitical uncertainty that arose in the second half of the year caused the pace of activity to slow. In our view, it was notable that health care has become one of the busier sectors for M&A as it is relatively more insulated from economic uncertainty. The strength and path of M&A activity in 2019 will likely depend in large part on how the uncertainties carrying over from 2018 play out and how they affect equity markets. From our experience, changes in equity market performance and deal activity have tended to move in a similar direction.

Credit Markets

Finding mispriced risk in credit markets was challenging in 2018. Low interest rates kept credit widely available, default rates remained at historically low levels and we continued to witness a deterioration in debt covenant terms, which include restrictions on financial activities by the borrower or parameters for specific financial metrics. Liberal interpretations

3. Please see Index Descriptions following the Fund Summaries.
4. Not a Fund holding.
5. Not held at period-end.

of credit agreements and bond indentures in order to shift valuable assets beyond the reach of creditors were an ongoing challenge. In such an environment, we found more opportunities investing in short-term mispriced risk rather than long-term restructurings.

However, we are hopeful that more opportunities may emerge in 2019, especially if we are starting to enter latter stages of the business cycle. U.S. monetary policy is becoming less accommodative, economic growth appears to be downshifting into a slower pace, earnings growth is set to slow, and geopolitical uncertainty is on the rise. These dynamics have already contributed to a general rise in financial market volatility. At the same time, the amount of lower-rated investment-grade credit stands at a historically high level on an absolute basis and relative to corporate debt markets overall. We believe default rates and the pace of corporate downgrades could begin to pick up in 2019. As a result, 2019 could bring a rise in fallen-angel opportunities (bonds downgraded from investment-grade to junk status) and idiosyncratic opportunities in out-of-favor industries. We will continue to look for opportunities across the capital structures of companies with liquidity-enhancing events, such as asset sales, the ability to issue secured debt within existing agreements, and free-cash flow that could buy time for a company to weather its financial storm.

Fund Performance

Turning to Fund performance, top contributors included U.S.-based pharmaceutical company Eli Lilly, global research-driven pharmaceutical company Merck and U.K.-based pay-TV provider Sky[5].

Shares of Eli Lilly were boosted in large part by a series of strong quarterly results during 2018. Attractive corporate fundamentals and fewer investor concerns regarding the direct impact on the pharmaceutical industry from the Trump administration's efforts to lower prescription drug prices helped push the stock higher. We believe Eli Lilly continues to have a strong product growth story and room for further margin expansion, in addition to having solid research and development capabilities.

Merck is a global research-driven pharmaceutical company with strong market positions in oncology, diabetes, vaccines and animal health. Investors remained upbeat about its future prospects, particularly its Keytruda oncology drug. Merck released clinical trial results, which showed that for the first-line treatment of metastatic nonsquamous non-small lung cancer patients, Keytruda combined with chemotherapy substantially extended survival of patients compared with chemotherapy alone. The Keytruda results set a high bar for competition and appeared to enhance Keytruda's prospects to gain share in the sizeable market for lung cancer treatment. Results from a competitor, Bristol-Myers Squibb[4], were less compelling in a different clinical trial in lung cancer. In October 2018, Merck raised its dividend and authorized a new large share buyback plan.

Top 10 Holdings
12/31/18

Company ***Sector/Industry, Country***	**% of Total Net Assets**
Medtronic PLC *Health Care Equipment & Supplies, U.S.*	3.2%
Novartis AG *Pharmaceuticals, Switzerland*	3.2%
The Walt Disney Co. *Entertainment, U.S.*	2.8%
GlaxoSmithKline PLC *Pharmaceuticals, U.K.*	2.4%
Royal Dutch Shell PLC *Oil, Gas & Consumable Fuels, U.K.*	2.3%
NN Group NV *Insurance, Netherlands*	2.2%
Eli Lilly & Co. *Pharmaceuticals, U.S.*	2.2%
Enel SpA *Electric Utilities, Italy*	2.1%
Merck & Co. Inc. *Pharmaceuticals, U.S.*	2.0%
British American Tobacco PLC *Tobacco, U.K.*	1.8%

In February 2018, shares of Sky jumped when U.S.-based cable company Comcast[4] made a surprise bid for the company. The Comcast bid was considerably higher than a prior bid by Twenty-First Century Fox[4], which already owned a substantial portion of Sky. In July 2018, Twenty-First Century Fox raised its bid for Sky, but Comcast promptly offered a higher counter-bid. The stock rose again in September 2018 when The Panel on Takeovers and Mergers in the U.K. announced that Comcast had won the mandatory auction for Sky, and Twenty-First Century Fox subsequently agreed to sell its stake of Sky to Comcast. The acquisition of Sky was officially completed in October 2018.

During the period under review, Fund investments that detracted from performance included U.K.-based British American Tobacco, U.S.-based industrials company General Electric (GE) and U.S.-based bank Citizens Financial Group.

Shares of British American Tobacco faced downward pressure due to potential additional U.S. regulation and concerns regarding next generation products. In March 2018, the U.S. Food and Drug Administration (FDA) issued an Advance Notice of Proposed Rulemaking, which started the process of examining the possibility of regulating nicotine levels in combustible cigarettes. The process may not result in regulation, but if it does, many experts believe the review could take seven to 10 years. Meanwhile, JUUL, produced by JUUL Labs[4], has emerged as a popular e-cigarette for young consumers in the U.S. It is unclear to what degree JUUL is cannibalizing the combustible market, but it has hurt investor sentiment toward the industry. In November, shares of British American Tobacco and industry peers dropped, as the FDA revisited the possibility of banning menthol as a flavor in cigarettes, which would take years with many steps to complete, and in our opinion, an FDA proposal would face litigation from the industry. Industry experts have suggested that it might not survive legal challenges.

GE is a multi-industrial company with a diverse set of businesses in power generation, health care and aviation. During 2018, the stock suffered a number of setbacks starting in January with a greater-than-expected charge related to long-term care policies in its insurance subsidiary. In June, the stock was removed from the Dow Jones Index and in September, GE stated that fan blades in some of its power-plant turbines were experiencing oxidation problems. In October, S&P Global Ratings, a bond rating agency, cut GE's debt rating, while GE cut its dividend and stated that the Securities and Exchange Commission was expanding an ongoing investigation to include an accounting write-down related to its power-generation division. Amid the negative events in 2018, management took the first steps in what amounts to a breakup of GE, announcing in May 2018 the merger of its transportation operations into Wabtec[4] and plans to spin-off its health care division and divest its stake in oil-services firm Baker Hughes. In October 2018, GE unexpectedly replaced chief executive officer (CEO) John Flannery, who spent his entire career at GE, with Larry Culp, a former CEO of Danaher[4], an industrial company. We believe Culp made some prudent initial moves, and that his plan to reduce debt and strengthen GE's balance sheet is a step in the right direction to restoring investor confidence in the company.

Citizens Financial Group is a regional bank focused on the Northeastern U.S. The stock slipped in the second half of the year due to fears of slowing global economic activity negatively affecting the U.S. economy, leading to lower U.S. interest rates, rising credit costs and slower revenue and earnings growth for the industry. In addition, the U.S. Treasury yield curve flattened and inverted in the latter stages of the year and credit spreads widened. On a long-term basis, we believe Citizens remains well positioned to continue driving improved results through a combination of capital deployment, balance sheet optimization and cost controls.

During the period, the Fund held currency forwards and futures seeking to hedge most of the currency risk of the portfolio's non-U.S. dollar investments. The hedges had a positive overall impact on the Fund's performance because of the appreciation of the U.S. dollar versus the hedged currencies.

What is a currency forward?

A currency forward is a direct agreement between the Fund and a counterparty to buy or sell a foreign currency in exchange for another currency at a specific exchange rate on a future date.

What is a future?

A future is an agreement between the Fund and a counterparty made through a U.S. or foreign futures exchange to buy or sell an underlying instrument or asset at a specific price on a future date.

Thank you for your participation in Franklin Mutual Global Discovery 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, 2018, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

Class 4 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 (o*f 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 ÷ $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 x $ 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.

		Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		
Share Class	**Beginning Account Value 7/1/18**	**Ending Account Value 12/31/18**	**Fund-Level Expenses Paid During Period 7/1/18–12/31/18[1,2]**	**Ending Account Value 12/31/18**	**Fund-Level Expenses Paid During Period 7/1/18–12/31/18[1,2]**	**Net Annualized Expense Ratio[2]**
Class 4	$1,000	$900.80	$6.13	$1,018.75	$6.51	1.28%

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.

SUPPLEMENT DATED MAY 1, 2018
TO THE PROSPECTUSES DATED MAY 1, 2018
OF
FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
FRANKLIN MUTUAL GLOBAL DISCOVERY VIP FUND

Effective May 1, 2018, the prospectuses are amended as follows:

I. The "Fund Summary – Annual Fund Operating Expenses" table on page MGD-S1 in the Franklin Mutual Global Discovery VIP Fund's Class 1 prospectus is replaced with the following:

Annual Fund Operating Expenses

(expenses that you pay each year as a percentage of the value of your investment)

	Class 1
Management fees[1]	0.88%
Distribution and service (12b-1) fees	None
Other expenses	0.07%
Acquired fund fees and expenses[2]	0.01%
Total annual Fund operating expenses[1,2]	**0.96%**

1. Management fees in the table above have been restated to reflect a reduction in the management fee of the Fund effective on May 1, 2018. Consequently, the total annual Fund operating expenses differ from the ratio of expenses to average net assets shown in the Financial Highlights due to a different management fee rate paid in the Fund's most recent fiscal year. If the management fees had not been restated, management fees would have been 0.94% and the Total annual Fund operating expenses would have been 1.02%.

2. Total annual Fund operating expenses differ from the ratio of expenses to average net assets shown in the Financial Highlights, which reflect the operating expenses of the Fund and do not include acquired fund fees and expenses.

II. The "Fund Summary – Example" table on page MGD-S1 in the Franklin Mutual Global Discovery VIP Fund's Class 1 prospectus is replaced with the following:

	1 Year	**3 Years**	**5 Years**	**10 Years**
Class 1	$98	$306	$531	$1,178

III. The "Fund Summary – Annual Fund Operating Expenses" table on page MGD-S1 in the Franklin Mutual Global Discovery VIP Fund's Class 2 prospectus is replaced with the following:

Annual Fund Operating Expenses

(expenses that you pay each year as a percentage of the value of your investment)

	Class 2
Management fees[1]	0.88%
Distribution and service (12b-1) fees	0.25%
Other expenses	0.07%
Acquired fund fees and expenses[2]	0.01%
Total annual Fund operating expenses[1,2]	1.21%

1. Management fees in the table above have been restated to reflect a reduction in the management fee of the Fund effective on May 1, 2018. Consequently, the total annual Fund operating expenses differ from the ratio of expenses to average net assets shown in the Financial Highlights due to a different management fee rate paid in the Fund's most recent fiscal year. If the management fees had not been restated, management fees would have been 0.94% and the Total annual Fund operating expenses would have been 1.27%.

2. Total annual Fund operating expenses differ from the ratio of expenses to average net assets shown in the Financial Highlights, which reflect the operating expenses of the Fund and do not include acquired fund fees and expenses.

IV. The "Fund Summary – Example" table on page MGD-S1 in the Franklin Mutual Global Discovery VIP Fund's Class 2 prospectus is replaced with the following:

	1 Year	3 Years	5 Years	10 Years
Class 2	$123	$384	$665	$1,466

V. The "Fund Summary – Annual Fund Operating Expenses" table on page MGD-S1 in the Franklin Mutual Global Discovery VIP Fund's Class 4 prospectus is replaced with the following:

Annual Fund Operating Expenses

(expenses that you pay each year as a percentage of the value of your investment)

	Class 4
Management fees[1]	0.88%
Distribution and service (12b-1) fees	0.35%
Other expenses	0.07%
Acquired fund fees and expenses[2]	0.01%
Total annual Fund operating expenses[1,2]	**1.31%**

1. Management fees in the table above have been restated to reflect a reduction in the management fee of the Fund effective on May 1, 2018. Consequently, the total annual Fund operating expenses differ from the ratio of expenses to average net assets shown in the Financial Highlights due to a different management fee rate paid in the Fund's most recent fiscal year. If the management fees had not been restated, management fees would have been 0.94% and the Total annual Fund operating expenses would have been 1.37%.

2. Total annual Fund operating expenses differ from the ratio of expenses to average net assets shown in the Financial Highlights, which reflect the operating expenses of the Fund and do not include acquired fund fees and expenses.

VI. The "Fund Summary – Example" table on page MGD-S1 in the Franklin Mutual Global Discovery VIP Fund's Class 4 prospectus is replaced with the following:

	1 Year	3 Years	5 Years	10 Years
Class 4	$133	$415	$718	$1,579

VII. The following is added as the second to last paragraph before the "Manager of Managers Structure" sub-section in the "Fund Details – Management" section of each Class' prospectus on page MGD-D8:

Effective May 1, 2018, the Fund's investment management fee was reduced, as approved by the board of trustees. Prior to May 1, 2018, the Fund paid Franklin Mutual an investment management fee equal to an annual rate of:

0.950% of the value of its average daily net assets up to and including $200 million;

0.935% of the value of its average daily net assets over $200 million, up to and including $700 million;

0.900% of the value of its average daily net assets over $700 million, up to and including $1.2 billion;

0.875% of the value of its average daily net assets over $1.2 billion, up to and including $4 billion;

0.845% of the value of its average daily net assets over $4 billion, up to and including $7 billion;

0.825% of the value of its average daily net assets over $7 billion, up to and including $10 billion; and

0.805% of the value of its average daily net assets in excess of $10 billion.

Effective May 1, 2018, the Fund's investment management fee was reduced to a fee equal to an annual rate of:

0.875% of the value of its average daily net assets up to and including $4 billion;

0.845% of the value of its average daily net assets over $4 billion, up to and including $7 billion;

0.825% of the value of its average daily net assets over $7 billion, up to and including $10 billion;

0.805% of the value of its average daily net assets over $10 billion, up to and including $13 billion;

0.785% of the value of its average daily net assets over $13 billion, up to and including $16 billion;

0.765% of the value of its average daily net assets over $16 billion, up to and including $19 billion;

0.745% of the value of its average daily net assets over $19 billion, up to and including $22 billion;

0.725% of the value of its average daily net assets over $22 billion, up to and including $25 billion;

0.705% of the value of its average daily net assets over $25 billion, up to and including $28 billion; and

0.685% of the value of its average daily net assets in excess of $28 billion.

Please keep this supplement with your prospectus for future reference.

Financial Highlights

Franklin Mutual Global Discovery VIP Fund

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Class 1					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	$20.38	$20.22	$19.85	$22.61	$23.31
Income from investment operations[a]:					
Net investment income[b]	0.36	0.47	0.41	0.37	0.68[c]
Net realized and unrealized gains (losses)	(2.50)	1.29	1.92	(1.17)	0.76
Total from investment operations	(2.14)	1.76	2.33	(0.80)	1.44
Less distributions from:					
Net investment income	(0.52)	(0.42)	(0.39)	(0.69)	(0.57)
Net realized gains	(0.25)	(1.18)	(1.57)	(1.27)	(1.57)
Total distributions	(0.77)	(1.60)	(1.96)	(1.96)	(2.14)
Net asset value, end of year	$17.47	$20.38	$20.22	$19.85	$22.61
Total return[d]	(11.01)%	8.99%	12.32%	(3.39)%	5.98%
Ratios to average net assets					
Expenses[e,f]	0.96%[g]	1.01%[g]	1.01%[g]	1.02%[g]	1.00%
Expenses incurred in connection with securities sold short	0.01%	—%	0.01%	0.02%	0.03%
Net investment income	1.81%	2.29%	2.10%	1.71%	2.85%[c]
Supplemental data					
Net assets, end of year (000's)	$3,282	$3,189	$3,084	$2,632	$2,313
Portfolio turnover rate	29.84%	17.49%	17.54%	21.88%	22.18%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

[b]Based on average daily shares outstanding.

[c]Net investment income per share includes approximately $0.34 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 1.40%.

[d]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle.

[e]Includes dividend and/or interest expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(d).

[f]Benefit of expense reduction rounds to less than 0.01%.

[g]Benefit of waiver and payments by affiliates rounds to less than 0.01%.

Franklin Mutual Global Discovery VIP Fund (continued)

	Year Ended December 31,				
	2018	**2017**	**2016**	**2015**	**2014**
Class 2					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	$19.80	$19.69	$19.37	$22.11	$22.84
Income from investment operations[a]:					
Net investment income[b]	0.30	0.41	0.35	0.32	0.60[c]
Net realized and unrealized gains (losses)	(2.42)	1.25	1.87	(1.16)	0.75
Total from investment operations	(2.12)	1.66	2.22	(0.84)	1.35
Less distributions from:					
Net investment income	(0.47)	(0.37)	(0.33)	(0.63)	(0.51)
Net realized gains	(0.25)	(1.18)	(1.57)	(1.27)	(1.57)
Total distributions	(0.72)	(1.55)	(1.90)	(1.90)	(2.08)
Net asset value, end of year	$16.96	$19.80	$19.69	$19.37	$22.11
Total return[d]	(11.22)%	8.71%	12.06%	(3.65)%	5.71%
Ratios to average net assets					
Expenses[e,f]	1.21%[g]	1.26%[g]	1.26%[g]	1.27%[g]	1.25%
Expenses incurred in connection with securities sold short	0.01%	—%	0.01%	0.02%	0.03%
Net investment income	1.56%	2.04%	1.85%	1.46%	2.60%[c]
Supplemental data					
Net assets, end of year (000's)	$500,607	$631,179	$630,397	$629,366	$685,711
Portfolio turnover rate	29.84%	17.49%	17.54%	21.88%	22.18%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

[b]Based on average daily shares outstanding.

[c]Net investment income per share includes approximately $0.34 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 1.15%.

[d]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle.

[e]Includes dividend and/or interest expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(d).

[f]Benefit of expense reduction rounds to less than 0.01%.

[g]Benefit of waiver and payments by affiliates rounds to less than 0.01%.

Franklin Mutual Global Discovery VIP Fund (continued)

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Class 4					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	$20.17	$20.02	$19.66	$22.39	$23.10
Income from investment operations[a]:					
Net investment income[b]	0.29	0.40	0.34	0.30	0.61[c]
Net realized and unrealized gains (losses)	(2.47)	1.27	1.89	(1.17)	0.73
Total from investment operations	(2.18)	1.67	2.23	(0.87)	1.34
Less distributions from:					
Net investment income	(0.44)	(0.34)	(0.30)	(0.59)	(0.48)
Net realized gains	(0.25)	(1.18)	(1.57)	(1.27)	(1.57)
Total distributions	(0.69)	(1.52)	(1.87)	(1.86)	(2.05)
Net asset value, end of year	$17.30	$20.17	$20.02	$19.66	$22.39
Total return[d]	(11.31)%	8.61%	11.91%	(3.74)%	5.60%
Ratios to average net assets					
Expenses[e,f]	1.31%[g]	1.36%[g]	1.36%[g]	1.37%[g]	1.35%
Expenses incurred in connection with securities sold short	0.01%	—%	0.01%	0.02%	0.03%
Net investment income	1.46%	1.94%	1.75%	1.36%	2.50%[c]
Supplemental data					
Net assets, end of year (000's)	$30,094	$41,713	$45,262	$49,054	$59,961
Portfolio turnover rate	29.84%	17.49%	17.54%	21.88%	22.18%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

[b]Based on average daily shares outstanding.

[c]Net investment income per share includes approximately $0.34 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 1.05%.

[d]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle.

[e]Includes dividend and/or interest expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(d).

[f]Benefit of expense reduction rounds to less than 0.01%.

[g]Benefit of waiver and payments by affiliates rounds to less than 0.01%.

Statement of Investments, December 31, 2018

Franklin Mutual Global Discovery VIP Fund

	Country	Shares/ Units/ Warrants	Value
Common Stocks and Other Equity Interests 89.5%			
Aerospace & Defense 0.8%			
BAE Systems PLC	United Kingdom	755,507	$ 4,424,210
Auto Components 0.4%			
[a,b,c] International Automotive Components Group Brazil LLC	Brazil	424,073	17,971
[a,b,c] International Automotive Components Group North America LLC	United States	4,052,916	483,107
Toyo Tire Corp.	Japan	138,565	1,738,384
			2,239,462
Automobiles 1.1%			
General Motors Co.	United States	175,900	5,883,855
Banks 11.8%			
Barclays PLC	United Kingdom	1,564,265	3,002,616
BNP Paribas SA	France	106,948	4,837,306
CIT Group Inc.	United States	136,169	5,211,188
Citigroup Inc.	United States	162,150	8,441,529
Citizens Financial Group Inc.	United States	320,923	9,541,041
First Horizon National Corp.	United States	353,473	4,651,705
HSBC Holdings PLC	United Kingdom	507,847	4,189,531
JPMorgan Chase & Co.	United States	58,686	5,728,927
Societe Generale SA	France	157,880	5,032,607
Standard Chartered PLC	United Kingdom	442,523	3,438,447
Wells Fargo & Co.	United States	192,020	8,848,282
			62,923,179
Biotechnology 0.6%			
Shire PLC	United Kingdom	53,445	3,114,717
Building Products 1.2%			
Johnson Controls International PLC	United States	206,500	6,122,725
Capital Markets 1.2%			
Credit Suisse Group AG	Switzerland	191,359	2,092,884
Deutsche Bank AG	Germany	207,029	1,651,166
Guotai Junan Securities Co. Ltd.	China	1,275,797	2,580,758
			6,324,808
Chemicals 1.3%			
BASF SE	Germany	97,787	6,811,514
Communications Equipment 2.5%			
Cisco Systems Inc.	United States	169,680	7,352,234
Nokia OYJ, A	Finland	611,269	3,522,972
Nokia OYJ, ADR	Finland	426,323	2,481,200
			13,356,406
Construction Materials 0.9%			
LafargeHolcim Ltd., B	Switzerland	121,811	5,029,304
Consumer Finance 1.4%			
Ally Financial Inc.	United States	93,416	2,116,806
Capital One Financial Corp.	United States	70,388	5,320,629
			7,437,435
Containers & Packaging 0.9%			
International Paper Co.	United States	123,000	4,964,280

Franklin Mutual Global Discovery VIP Fund (continued)

	Country	Shares/ Units/ Warrants	Value
Common Stocks and Other Equity Interests (continued)			
Diversified Financial Services 0.8%			
Voya Financial Inc.	United States	101,650	$ 4,080,231
Diversified Telecommunication Services 2.5%			
AT&T Inc.	United States	159,739	4,558,951
Koninklijke KPN NV	Netherlands	2,930,976	8,597,279
			13,156,230
Electric Utilities 2.4%			
Enel SpA	Italy	1,929,746	11,187,700
[a] PG&E Corp.	United States	65,170	1,547,788
			12,735,488
Energy Equipment & Services 1.0%			
Baker Hughes a GE Co., A	United States	250,264	5,380,676
Entertainment 2.8%			
The Walt Disney Co.	United States	137,500	15,076,875
Food & Staples Retailing 1.3%			
Walgreens Boots Alliance Inc.	United States	102,904	7,031,430
Health Care Equipment & Supplies 4.2%			
Koninklijke Philips NV	Netherlands	142,110	5,036,320
Medtronic PLC	United States	190,110	17,292,406
			22,328,726
Health Care Providers & Services 1.3%			
CVS Health Corp.	United States	105,591	6,918,322
Hotels, Restaurants & Leisure 2.2%			
Accor SA	France	186,049	7,910,922
Sands China Ltd.	Macau	916,400	4,014,114
			11,925,036
Independent Power & Renewable Electricity Producers 0.5%			
[a] Vistra Energy Corp.	United States	117,933	2,699,486
Industrial Conglomerates 0.9%			
General Electric Co.	United States	624,350	4,726,330
Insurance 9.5%			
Alleghany Corp.	United States	2,730	1,701,664
American International Group Inc.	United States	177,333	6,988,693
China Pacific Insurance Group Co. Ltd., H	China	1,523,508	4,932,115
Chubb Ltd.	United States	66,066	8,534,406
The Hartford Financial Services Group Inc.	United States	192,796	8,569,782
MetLife Inc.	United States	67,226	2,760,300
NN Group NV	Netherlands	294,248	11,732,797
RSA Insurance Group PLC	United Kingdom	501,149	3,282,367
T&D Holdings Inc.	Japan	199,721	2,330,686
			50,832,810
IT Services 1.4%			
Cognizant Technology Solutions Corp., A	United States	117,760	7,475,405
Machinery 0.4%			
CNH Industrial NV	United Kingdom	239,035	2,159,844

Franklin Mutual Global Discovery VIP Fund (continued)

	Country	Shares/ Units/ Warrants	Value
Common Stocks and Other Equity Interests (continued)			
Media 3.3%			
[a] Charter Communications Inc., A	United States	30,386	$ 8,659,098
[a] Cumulus Media Inc., A	United States	9,615	103,842
[a] Cumulus Media Inc., B	United States	14,335	136,183
[a] DISH Network Corp., A	United States	139,003	3,470,905
[a] Liberty Global PLC, C	United Kingdom	263,900	5,446,896
			17,816,924
Metals & Mining 0.4%			
thyssenkrupp AG	Germany	62,456	1,072,913
Warrior Met Coal Inc.	United States	37,173	896,241
			1,969,154
Oil, Gas & Consumable Fuels 9.8%			
Anadarko Petroleum Corp.	United States	60,325	2,644,648
BP PLC	United Kingdom	797,842	5,046,033
Canadian Natural Resources Ltd.	Canada	268,300	6,474,818
Crescent Point Energy Corp.	Canada	670,900	2,034,892
JXTG Holdings Inc.	Japan	489,339	2,574,834
Kinder Morgan Inc.	United States	571,770	8,793,823
Marathon Oil Corp.	United States	232,865	3,339,284
Plains All American Pipeline LP	United States	195,500	3,917,820
Royal Dutch Shell PLC, A (EUR Traded)	United Kingdom	237,549	6,982,871
Royal Dutch Shell PLC, A (GBP Traded)	United Kingdom	179,410	5,279,389
The Williams Cos. Inc.	United States	234,501	5,170,747
			52,259,159
Pharmaceuticals 9.7%			
Eli Lilly & Co.	United States	100,184	11,593,293
GlaxoSmithKline PLC	United Kingdom	670,728	12,754,917
Merck & Co. Inc.	United States	136,718	10,446,622
Novartis AG, ADR	Switzerland	199,457	17,115,405
			51,910,237
Semiconductors & Semiconductor Equipment 0.7%			
[a] Renesas Electronics Corp.	Japan	791,797	3,612,213
Software 3.4%			
[a] Avaya Holdings Corp., wts., 12/15/22	United States	5,179	10,617
[a] Check Point Software Technologies Ltd.	Israel	86,367	8,865,572
[a] Red Hat Inc.	United States	16,700	2,933,188
Symantec Corp.	United States	334,461	6,319,641
			18,129,018
Specialty Retail 0.7%			
Dufry AG	Switzerland	38,027	3,623,991
Technology Hardware, Storage & Peripherals 3.4%			
Hewlett Packard Enterprise Co.	United States	338,480	4,471,321
Samsung Electronics Co. Ltd.	South Korea	267,805	9,305,882
Western Digital Corp.	United States	120,412	4,451,631
			18,228,834

Franklin Mutual Global Discovery VIP Fund (continued)

	Country	Shares/ Units/ Warrants	Value
Common Stocks and Other Equity Interests (continued)			
Tobacco 2.8%			
Altria Group Inc.	United States	107,584	$ 5,313,574
British American Tobacco PLC	United Kingdom	224,633	7,161,580
British American Tobacco PLC, ADR	United Kingdom	83,985	2,675,762
			15,150,916
Total Common Stocks and Other Equity Interests (Cost $463,290,565)			477,859,230
Management Investment Companies (Cost $3,414,383) 0.6%			
Diversified Financial Services 0.6%			
[a] Altaba Inc.	United States	52,100	3,018,674
Preferred Stocks (Cost $10,975,075) 1.8%			
Automobiles 1.8%			
[d] Volkswagen AG, 2.845%, pfd.	Germany	60,547	9,654,974

	Country	Principal Amount	Value
Corporate Notes and Senior Floating Rate Interests 1.3%			
[e,f] Cumulus Media New Holdings Inc., Term Loan, 7.03%, (1-month USD LIBOR + 4.50%), 5/13/22	United States	$1,854,883	1,760,207
Frontier Communications Corp.,			
senior note, 10.50%, 9/15/22	United States	3,610,000	2,527,000
senior note, 11.00%, 9/15/25	United States	4,065,000	2,550,584
Total Corporate Notes and Senior Floating Rate Interests (Cost $8,870,420)			6,837,791
Corporate Notes and Senior Floating Rate Interests in Reorganization 1.1%			
[b,c,g] Broadband Ventures III LLC, secured promissory note, 5.00%, 2/01/12	United States	595	—
[e,f,g] iHeartCommunications Inc.,			
Tranche D Term Loan, 8.443%, (3-month USD LIBOR + 6.75%), 1/30/19	United States	6,889,154	4,659,755
Tranche E Term Loan, 9.193%, (3-month USD LIBOR + 7.50%), 7/30/19	United States	2,213,880	1,496,738
Total Corporate Notes and Senior Floating Rate Interests in Reorganization (Cost $8,978,061)			6,156,493

	Country	Shares	Value
Companies in Liquidation 0.0%†			
[a,b,h] Avaya Holdings Corp., Contingent Distribution	United States	1,270,000	—
[a,b,h] Avaya Inc., Contingent Distribution	United States	1,668,000	—
[a,b,h] NewPage Corp., Litigation Trust	United States	4,854,000	—
[a,b,h] Tribune Media, Litigation Trust, Contingent Distribution	United States	57,569	—
[a,h] Vistra Energy Corp., Litigation Trust, Contingent Distribution	United States	5,912,264	5,321
Total Companies in Liquidation (Cost $201,953)			5,321
Total Investments before Short Term Investments (Cost $495,730,457)			503,532,483

Franklin Mutual Global Discovery VIP Fund (continued)

	Country	Principal Amount	Value
Short Term Investments 6.2%			
U.S. Government and Agency Securities 6.2%			
[i] FHLB, 1/02/19	United States	$8,400,000	$ 8,400,000
[i] U.S. Treasury Bill,			
1/02/19	United States	7,000,000	7,000,000
[j] 1/10/19 - 1/24/19	United States	9,000,000	8,991,813
1/03/19 - 6/06/19	United States	8,500,000	8,470,896
Total U.S. Government and Agency Securities (Cost $32,860,083)			32,862,709
Total Investments (Cost $528,590,540) 100.5%			536,395,192
Securities Sold Short (0.8)%			(4,086,690)
Other Assets, less Liabilities 0.3%			1,674,510
Net Assets 100.0%			$533,983,012

	Country	Shares	Value
[k] **Securities Sold Short (0.8)%**			
Common Stocks (0.8)%			
Internet & Direct Marketing Retail (0.5)%			
Alibaba Group Holding Ltd., ADR	China	18,756	(2,570,885)
Pharmaceuticals (0.3)%			
Takeda Pharmaceutical Co. Ltd.	Japan	44,840	(1,515,805)
Total Securities Sold Short (Proceeds $5,165,765)			$ (4,086,690)

[†] Rounds to less than 0.1% of net assets.

[a] Non-income producing.

[b] Fair valued using significant unobservable inputs. See Note 12 regarding fair value measurements.

[c] See Note 9 regarding restricted securities.

[d] Variable rate security. The rate shown represents the yield at period end.

[e] The coupon rate shown represents the rate at period end.

[f] See Note 1(f) regarding senior floating rate interests.

[g] See Note 7 regarding credit risk and defaulted securities.

[h] Contingent distributions represent the right to receive additional distributions, if any, during the reorganization of the underlying company. Shares represent total underlying principal of debt securities.

[i] The security was issued on a discount basis with no stated coupon rate.

[j] A portion or all of the security has been segregated as collateral for securities sold short and open forward exchange contracts. At December 31, 2018, the aggregate value of these securities pledged amounted to $2,623,271, representing 0.5% of net assets.

[k] See Note 1(d) regarding securities sold short.

Franklin Mutual Global Discovery VIP Fund (continued)

At December 31, 2018, the Fund had the following futures contracts outstanding. See Note 1(c).

Futures Contracts

Description	Type	Number of Contracts	Notional Amount*	Expiration Date	Value/ Unrealized Appreciation (Depreciation)
Currency Contracts					
EUR/USD	Short	189	$27,221,906	3/18/19	$ 4,062
GBP/USD	Short	139	11,111,313	3/18/19	22,969
Total Futures Contracts					$27,031

*As of period end.

At December 31, 2018, the Fund had the following forward exchange contracts outstanding. See Note 1(c).

Forward Exchange Contracts

Currency	Counterparty[a]	Type	Quantity	Contract Amount	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts							
Swiss Franc	HSBK	Buy	53,486	$ 54,080	1/14/19	$ 448	$ —
Swiss Franc	UBSW	Buy	335,501	339,155	1/14/19	2,886	—
Swiss Franc	UBSW	Sell	2,440,501	2,450,180	1/14/19	—	(37,899)
South Korean Won	BONY	Sell	356,186,851	318,138	1/18/19	—	(1,847)
South Korean Won	HSBK	Buy	1,223,862,649	1,084,762	1/18/19	14,709	—
South Korean Won	HSBK	Sell	11,111,217,048	9,923,919	1/18/19	—	(57,976)
British Pound	BOFA	Buy	155,423	197,209	2/14/19	1,441	—
British Pound	HSBK	Buy	199,987	254,213	2/14/19	1,396	—
British Pound	UBSW	Buy	28,046	35,495	2/14/19	352	—
British Pound	UBSW	Sell	8,817,207	11,099,937	2/14/19	—	(169,550)
Japanese Yen	HSBK	Buy	19,810,935	179,259	2/19/19	2,209	—
Japanese Yen	UBSW	Buy	12,419,732	112,672	2/19/19	1,092	—
Japanese Yen	UBSW	Sell	289,895,031	2,581,779	2/19/19	—	(73,635)
Euro	BOFA	Buy	901,832	1,032,922	2/20/19	4,852	—
Euro	BONY	Sell	55,624,404	63,131,918	2/20/19	—	(877,315)
Euro	HSBK	Buy	918,144	1,051,749	2/20/19	4,796	—
Euro	SSBT	Buy	546,292	624,778	2/20/19	3,862	—
Euro	UBSW	Buy	673,139	771,239	2/20/19	3,368	—
Total Forward Exchange Contracts						$ 41,411	$ (1,218,222)
Net unrealized appreciation (depreciation)							$ (1,176,811)

[a]May be comprised of multiple contracts with the same counterparty, currency and settlement date.

See Note 10 regarding other derivative information.

See Abbreviations on page MGD-36.

Financial Statements

Statement of Assets and Liabilities

December 31, 2018

	Franklin Mutual Global Discovery VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	$528,590,540
Value - Unaffiliated issuers	$536,395,192
Cash	85,064
Receivables:	
Investment securities sold	3,226,432
Capital shares sold	436,233
Dividends and interest	1,599,435
European Union tax reclaims	335,882
Deposits with brokers for:	
Securities sold short	4,532,420
Futures contracts	809,300
Unrealized appreciation on OTC forward exchange contracts	41,411
Other assets	1,823
Total assets	547,463,192
Liabilities:	
Payables:	
Investment securities purchased	7,095,286
Capital shares redeemed	169,175
Management fees	406,749
Distribution fees	240,072
Variation margin on futures contracts	59,975
Securities sold short, at value (proceeds $5,165,765)	4,086,690
Unrealized depreciation on OTC forward exchange contracts	1,218,222
Accrued expenses and other liabilities	204,011
Total liabilities	13,480,180
Net assets, at value	$533,983,012
Net assets consist of:	
Paid-in capital	$462,643,441
Total distributable earnings (loss)	71,339,571
Net assets, at value	$533,983,012
Class 1:	
Net assets, at value	$ 3,282,256
Shares outstanding	187,924
Net asset value and maximum offering price per share	$17.47
Class 2:	
Net assets, at value	$500,606,730
Shares outstanding	29,525,104
Net asset value and maximum offering price per share	$16.96
Class 4:	
Net assets, at value	$ 30,094,026
Shares outstanding	1,739,980
Net asset value and maximum offering price per share	$17.30

Statement of Operations

for the year ended December 31, 2018

	Franklin Mutual Global Discovery VIP Fund
Investment income:	
Dividends: (net of foreign taxes)*	
Unaffiliated issuers	$ 15,553,069
Interest:	
Unaffiliated issuers	1,777,977
Income from securities loaned:	
Unaffiliated issuers (net of fees and rebates)	108,383
Non-controlled affiliates (Note 3e)	19,571
Other income (Note 1g)	53,792
Total investment income	17,512,792
Expenses:	
Management fees (Note 3a)	5,681,306
Distribution fees: (Note 3c)	
Class 2	1,481,403
Class 4	129,053
Custodian fees (Note 4)	35,867
Reports to shareholders	150,946
Professional fees	112,968
Trustees' fees and expenses	4,617
Dividends and interest on securities sold short	32,743
Other	43,516
Total expenses	7,672,419
Expense reductions (Note 4)	(5,461)
Expenses waived/paid by affiliates (Note 3e)	(5,802)
Net expenses	7,661,156
Net investment income	9,851,636
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	44,690,916
Foreign currency transactions	(256,599)
Forward exchange contracts	7,559,927
Futures contracts	2,751,641
Securities sold short	132,539
Net realized gain (loss)	54,878,424
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	(133,670,602)
Translation of other assets and liabilities denominated in foreign currencies	(38,148)
Forward exchange contracts	(195,746)
Futures contracts	728,309
Securities sold short	1,037,125
Net change in unrealized appreciation (depreciation)	(132,139,062)
Net realized and unrealized gain (loss)	(77,260,638)
Net increase (decrease) in net assets resulting from operations	$ (67,409,002)

*Foreign taxes withheld on dividends	$ 876,576

Statements of Changes in Net Assets

	Franklin Mutual Global Discovery VIP Fund	
	Year Ended December 31,	
	2018	2017
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 9,851,636	$ 13,954,122
Net realized gain (loss)	54,878,424	10,878,079
Net change in unrealized appreciation (depreciation)	(132,139,062)	32,155,121
Net increase (decrease) in net assets resulting from operations	(67,409,002)	56,987,322
Distributions to shareholders: (Note 1h)		
Class 1	(139,418)	(252,423)
Class 2	(21,021,401)	(47,070,528)
Class 4	(1,188,087)	(3,056,678)
Total distributions to shareholders	(22,348,906)	(50,379,629)
Capital share transactions: (Note 2)		
Class 1	642,511	82,438
Class 2	(46,304,313)	(5,225,517)
Class 4	(6,678,610)	(4,126,123)
Total capital share transactions	(52,340,412)	(9,269,202)
Net increase (decrease) in net assets	(142,098,320)	(2,661,509)
Net assets:		
Beginning of year	676,081,332	678,742,841
End of year (Note 1h)	$ 533,983,012	$676,081,332

Notes to Financial Statements

Franklin Mutual Global Discovery 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). Franklin Mutual Global Discovery 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 each business day as of 4 p.m. Eastern time or the regularly scheduled close of the New York Stock Exchange (NYSE), whichever is earlier. 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 Fund may utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Equity securities and derivative financial instruments 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.

Debt securities generally trade in the OTC market rather than on a securities exchange. The Fund's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value.

Investments in open-end mutual funds are valued at the closing NAV.

Certain derivative financial instruments trade in the OTC market. The Fund's pricing services use various techniques including industry standard option pricing models and proprietary discounted cash flow models to determine the fair value of those instruments. The Fund's net benefit or obligation under the derivative contract, as measured by the fair value of the contract, is included in net assets.

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the Fund 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.

Franklin Mutual Global Discovery VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

a. Financial Instrument Valuation *(continued)*

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 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. At December 31, 2018, a market event occurred resulting in a portion of the securities held by the Fund being valued using fair value procedures.

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. Derivative Financial Instruments

The Fund invested in derivative financial instruments in order to manage risk or gain exposure to various other investments or markets. Derivatives are financial contracts based on an underlying or notional amount, require no initial investment or an initial net investment that is smaller than would normally be required to have a similar response to changes in market factors, and require or permit net settlement. Derivatives contain various risks including the potential inability of the counterparty to fulfill their obligations under the terms of the contract, the potential for an illiquid secondary market, and/or the potential for market movements which expose the Fund to gains or losses in excess of the amounts shown in the Statement of Assets and Liabilities. Realized gain and loss and unrealized appreciation and depreciation on these contracts for the period are included in the Statement of Operations.

Derivative counterparty credit risk is managed through a formal evaluation of the creditworthiness of all potential counter-parties. The Fund attempts to reduce its exposure to counterparty credit risk on OTC derivatives, whenever possible, by entering into International Swaps and Derivatives

Franklin Mutual Global Discovery VIP Fund (continued)

Association (ISDA) master agreements with certain counterparties. These agreements contain various provisions, including but not limited to collateral requirements, events of default, or early termination. Termination events applicable to the counterparty include certain deteriorations in the credit quality of the counterparty. Termination events applicable to the Fund include failure of the Fund to maintain certain net asset levels and/or limit the decline in net assets over various periods of time. In the event of default or early termination, the ISDA master agreement gives the non-defaulting party the right to net and close-out all transactions traded, whether or not arising under the ISDA agreement, to one net amount payable by one counterparty to the other. However, absent an event of default or early termination, OTC derivative assets and liabilities are presented gross and not offset in the Statement of Assets and Liabilities. Early termination by the counterparty may result in an immediate payment by the Fund of any net liability owed to that counterparty under the ISDA agreement. At December 31, 2018, the Fund had OTC derivatives in a net liability position of $1,186,966 and the aggregate value of collateral pledged for such contracts was $785,871.

Collateral requirements differ by type of derivative. Collateral or initial margin requirements are set by the broker or exchange clearing house for exchange traded and centrally cleared derivatives. Initial margin deposited is held at the exchange and can be in the form of cash and/or securities. For OTC derivatives traded under an ISDA master agreement, posting of collateral is required by either the Fund or the applicable counterparty if the total net exposure of all OTC derivatives with the applicable counterparty exceeds the minimum transfer amount, which typically ranges from $100,000 to $250,000, and can vary depending on the counterparty and the type of the agreement. Generally, collateral is determined at the close of Fund business each day and any additional collateral required due to changes in derivative values may be delivered by the Fund or the counterparty the next business day, or within a few business days. Collateral pledged and/or received by the Fund for OTC derivatives, if any, is held in segregated accounts with the Fund's custodian/counterparty broker and can be in the form of cash and/or securities. Unrestricted cash may be invested according to the Fund's investment objectives. To the extent that the amounts due to the Fund from its counterparties are not subject to collateralization or are not fully collateralized, the Fund bears the risk of loss from counterparty non-performance.

The Fund entered into exchange traded futures contracts primarily to manage exposure to certain foreign currencies. A futures contract is an agreement between the Fund and a counterparty to buy or sell an asset at a specified price on a future date. Required initial margins are pledged by the Fund, and the daily change in fair value is accounted for as a variation margin payable or receivable in the Statement of Assets and Liabilities.

The Fund entered into OTC forward exchange contracts primarily to manage exposure to certain foreign currencies. A forward exchange contract is an agreement between the Fund and a counterparty to buy or sell a foreign currency at a specific exchange rate on a future date.

See Note 10 regarding other derivative information.

d. Securities Sold Short

The Fund is engaged in selling securities short, which obligates the Fund to replace a borrowed security with the same security at current fair value. The Fund incurs a loss if the price of the security increases between the date of the short sale and the date on which the Fund replaces the borrowed security. The Fund realizes a gain if the price of the security declines between those dates. Gains are limited to the price at which the Fund sold the security short, while losses are potentially unlimited in size.

The Fund is required to establish a margin account with the broker lending the security sold short. While the short sale is outstanding, the broker retains the proceeds of the short sale to the extent necessary to meet margin requirements until the short position is closed out. A deposit must also be maintained with the Fund's custodian/counterparty broker consisting of cash and/or securities having a value equal to a specified percentage of the value of the securities sold short. The Fund is obligated to pay fees for borrowing the securities sold short and is required to pay the counterparty any dividends and/or interest due on securities sold short. Such dividends and/or interest and any security borrowing fees are recorded as an expense to the Fund.

e. Securities Lending

The Fund participates in an agency based securities lending program to earn additional income. The Fund receives cash collateral against the loaned securities in an amount equal to at least 102% of the fair value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the fair value of loaned securities, as determined at the

Franklin Mutual Global Discovery VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

e. Securities Lending *(continued)*

close of Fund business each day; any additional collateral required due to changes in security values is delivered to the Fund on the next business day. The collateral is deposited into a joint cash account with other funds and is used to invest in a money market fund managed by Franklin Advisers, Inc., an affiliate of the Fund. The Fund may receive income from the investment of cash collateral, in addition to lending fees and rebates paid by the borrower. Income from securities loaned, net of fees paid to the securities lending agent and/or third-party vendor, is reported separately in the Statement of Operations. The Fund bears the market risk with respect to the collateral investment, securities loaned, and the risk that the agent may default on its obligations to the Fund. If the borrower defaults on its obligation to return the securities loaned, the Fund has the right to repurchase the securities in the open market using the collateral received. The securities lending agent has agreed to indemnify the Fund in the event of default by a third party borrower. At December 31, 2018, the Fund had no securities on loan.

f. Senior Floating Rate Interests

The Fund invests in senior secured corporate loans that pay interest at rates which are periodically reset by reference to a base lending rate plus a spread. These base lending rates are generally the prime rate offered by a designated U.S. bank or the London InterBank Offered Rate (LIBOR). Senior secured corporate loans often require prepayment of principal from excess cash flows or at the discretion of the borrower. As a result, actual maturity may be substantially less than the stated maturity. Senior secured corporate loans in which the Fund invests are generally readily marketable, but may be subject to certain restrictions on resale.

g. Income and Deferred Taxes

It is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. The Fund intends to distribute to shareholders substantially all of its taxable income and net realized gains to relieve it from federal income and if applicable, excise taxes. As a result, no provision for U.S. federal income taxes is required.

The Fund may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which it invests. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. When a capital gain tax is determined to apply, the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

As a result of several court cases, in certain countries across the European Union, the Fund filed additional tax reclaims for previously withheld taxes on dividends earned in those countries (EU reclaims). These additional filings are subject to various administrative proceedings by the local jurisdictions' tax authorities within the European Union, as well as a number of related judicial proceedings. Income recognized, if any, for EU reclaims is reflected as other income in the Statement of Operations and any related receivable, if any, is reflected as European Union tax reclaims in the Statement of Assets and Liabilities. When uncertainty exists as to the ultimate resolution of these proceedings, the likelihood of receipt of these EU reclaims, and the potential timing of payment, no amounts are reflected in the financial statements. For U.S. income tax purposes, when EU reclaims are received by the Fund and the Fund previously passed foreign tax credit on to its shareholders, the Fund must either amend historic tax reporting to shareholders or enter into a closing agreement with the Internal Revenue Service (IRS) in order to pay the associated tax liability on behalf of the Fund's shareholders.

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, 2018, the Fund has determined that no tax liability is required in its financial statements related to uncertain tax positions for any open tax years (or expected to be taken in future tax years). Open tax years are those that remain subject to examination and are based on the statute of limitations in each jurisdiction in which the Fund invests.

Franklin Mutual Global Discovery VIP Fund (continued)

h. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Dividend income and dividends declared on securities sold short are 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 or based on the ratio of number of shareholders of each Fund to the combined number of shareholders 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.

i. Accounting Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

j. Guarantees and Indemnifications

Under the Trust's organizational documents, its officers and trustees are indemnified by the Trust against certain liabilities arising out of the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust, on behalf of the Fund, enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. Currently, the Trust expects the risk of loss to be remote.

*Effective during the current reporting period, it is no longer required to present certain line items in the Statements of Changes in Net Assets. The below prior period amounts affected by this change are shown as they were in the prior year Statements of Changes in Net Assets.

For the year ended December 31, 2017, distributions to shareholders were as follows:

Distributions from net investment income :	
Class 1	$ (66,311)
Class 2	(11,249,921)
Class 4	(685,349)
Distributions from net realized gains:	
Class 1	(186,112)
Class 2	(35,820,607)
Class 4	(2,371,329)

For the year ended December 31, 2017, undistributed net investment income included in net assets was $14,092,871.

Franklin Mutual Global Discovery VIP Fund (continued)

2. Shares of Beneficial Interest

At December 31, 2018, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31,			
	2018		2017	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	45,098	$ 915,165	22,957	$ 477,994
Shares issued in reinvestment of distributions	6,995	139,418	12,814	252,423
Shares redeemed	(20,687)	(412,072)	(31,768)	(647,979)
Net increase (decrease)	31,406	$ 642,511	4,003	$ 82,438
Class 2 Shares:				
Shares sold	1,060,981	$ 20,521,165	1,826,753	$ 36,854,231
Shares issued in reinvestment of distributions	1,085,816	21,021,401	2,456,708	47,070,528
Shares redeemed	(4,500,413)	(87,846,879)	(4,417,680)	(89,150,276)
Net increase (decrease)	(2,353,616)	$(46,304,313)	(134,219)	$ (5,225,517)
Class 4 Shares:				
Shares sold	49,992	$ 917,196	74,244	$ 1,535,006
Shares issued in reinvestment of distributions	60,157	1,188,087	156,592	3,056,678
Shares redeemed	(438,307)	(8,783,893)	(423,086)	(8,717,807)
Net increase (decrease)	(328,158)	$ (6,678,610)	(192,250)	$ (4,126,123)

3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton. Certain officers and trustees of the Fund are also officers, and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Mutual Advisers, LLC (Franklin Mutual)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

Franklin Mutual Global Discovery VIP Fund (continued)

a. Management Fees

Effective May 1, 2018, the Fund pays an investment management fee to Franklin Mutual based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.875%	Up to and including $4 billion
0.845%	Over $4 billion, up to and including $7 billion
0.825%	Over $7 billion, up to and including $10 billion
0.805%	Over $10 billion, up to and including $13 billion
0.785%	Over $13 billion, up to and including $16 billion
0.765%	Over $16 billion, up to and including $19 billion
0.745%	Over $19 billion, up to and including $22 billion
0.725%	Over $22 billion, up to and including $25 billion
0.705%	Over $25 billion, up to and including $28 billion
0.685%	In excess of $28 billion

Prior to May 1, 2018, the Fund paid fees to Franklin Mutual based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.950%	Up to and including $200 million
0.935%	Over $200 million, up to and including $700 million
0.900%	Over $700 million, up to and including $1.2 billion
0.875%	Over $1.2 billion, up to and including $4 billion
0.845%	Over $4 billion, up to and including $7 billion
0.825%	Over $7 billion, up to and including $10 billion
0.805%	In excess of $10 billion

For the year ended December 31, 2018, the gross effective investment management fee rate was 0.898% of the Fund's average daily net assets.

b. Administrative Fees

Under an agreement with Franklin Mutual, FT Services provides administrative services to the Fund. The fee is paid by Franklin Mutual based on the Fund's average daily net assets, and is not an additional expense of the Fund.

c. Distribution Fees

The Board has adopted distribution plans for Class 2 and Class 4 shares pursuant to Rule 12b-1 under the 1940 Act. Under the Fund's compensation distribution plans, the Fund pays Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to 0.35% per year of its average daily net assets of each class. The Board has agreed to limit the current rate to 0.25% per year for Class 2. The plan year, for purposes of monitoring compliance with the maximum annual plan rates, is February 1 through January 31.

d. Transfer Agent Fees

Investor Services, under terms of an agreement, performs shareholder servicing for the Fund and is not paid by the Fund for the services.

Franklin Mutual Global Discovery VIP Fund (continued)

3. Transactions with Affiliates (continued)

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. During the year ended December 31, 2018, 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	Income from securities loaned	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)
Non-Controlled Affiliates								
Institutional Fiduciary Trust Money Market Portfolio, 1.99%.	—	55,880,000	(55,880,000)	—	$ —	$19,571	$ —	$ —

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, 2018, the custodian fees were reduced as noted in the Statement of Operations.

5. Income Taxes

The tax character of distributions paid during the years ended December 31, 2018 and 2017, was as follows:

	2018	2017
Distributions paid from:		
Ordinary income.	$14,592,064	$14,213,432
Long term capital gain.	7,756,842	36,166,197
	$22,348,906	$50,379,629

At December 31, 2018, the cost of investments, net unrealized appreciation (depreciation), undistributed ordinary income and undistributed long term capital gains for income tax purposes were as follows:

Cost of investments	$525,003,191
Unrealized appreciation	$ 85,436,170
Unrealized depreciation	(79,279,489)
Net unrealized appreciation (depreciation)	$ 6,156,681
Distributable earnings:	
Undistributed ordinary income	$ 15,865,306
Undistributed long term capital gains	49,043,278
Total distributable earnings	$ 64,908,584

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatment of foreign currency transactions.

Franklin Mutual Global Discovery VIP Fund (continued)

6. Investment Transactions

Purchases and sales of investments (excluding short term securities and securities sold short) for the year ended December 31, 2018, aggregated $178,034,596 and $225,377,187, respectively.

7. Credit Risk and Defaulted Securities

The Fund may purchase the pre-default or defaulted debt of distressed companies. Distressed companies are financially troubled and could be or are already involved in financial restructuring or bankruptcy. Risks associated with purchasing these securities include the possibility that the bankruptcy or other restructuring process takes longer than expected, or that distributions in restructuring are less than anticipated, either or both of which may result in unfavorable consequences to the Fund. If it becomes probable that the income on debt securities, including those of distressed companies, will not be collected, the Fund discontinues accruing income and recognizes an adjustment for uncollectible interest.

At December 31, 2018, the aggregate long value of distressed company securities for which interest recognition has been discontinued was $6,156,493, representing 1.1% of the Fund's net assets. For information as to specific securities, see the accompanying Statement of Investments.

8. Concentration of Risk

Investing in foreign securities may include certain risks and considerations not typically associated with investing in U.S. securities, such as fluctuating currency values and changing local and regional economic, political and social conditions, which may result in greater market volatility. Current political and financial uncertainty surrounding the European Union may increase market volatility and the economic risk of investing in securities in Europe. In addition, certain foreign securities may not be as liquid as U.S. securities.

9. Restricted Securities

The Fund invests in securities that are restricted under the Securities Act of 1933 (1933 Act). Restricted securities are often purchased in private placement transactions, and cannot be sold without prior registration unless the sale is pursuant to an exemption under the 1933 Act. Disposal of these securities may require greater effort and expense, and prompt sale at an acceptable price may be difficult. The Fund may have registration rights for restricted securities. The issuer generally incurs all registration costs.

At December 31, 2018, investments in restricted securities, excluding securities exempt from registration under the 1933 Act deemed to be liquid, were as follows:

Principal Amount/ Shares	Issuer	Acquisition Date	Cost	Value
595	Broadband Ventures III LLC, secured promissory note, 5.00%, 2/01/12	7/01/10 - 11/30/12	$ 595	$ —
424,073	International Automotive Components Group Brazil LLC.	4/13/06 - 12/26/08	281,629	17,971
4,052,916	International Automotive Components Group North America LLC	1/12/06 - 3/18/13	3,247,714	483,107
	Total Restricted Securities (Value is 0.1% of Net Assets)		$3,529,938	$501,078

Franklin Mutual Global Discovery VIP Fund (continued)

10. Other Derivative Information

At December 31, 2018, the Fund's investments in derivative contracts are reflected in the Statement of Assets and Liabilities as follows:

	Asset Derivatives		Liability Derivatives	
Derivative Contracts Not Accounted for as Hedging Instruments	**Statement of Assets and Liabilities Location**	**Fair Value**	**Statement of Assets and Liabilities Location**	**Fair Value**
Foreign exchange contracts	Variation margin on futures contracts	$27,031[a]	Variation margin on futures contracts	$ —
	Unrealized appreciation on OTC forward exchange contracts	41,411	Unrealized depreciation on OTC forward exchange contracts	1,218,222
Totals		$68,442		$1,218,222

[a]This amount reflects the cumulative appreciation (depreciation) of futures contracts as reported in the Statement of Investments. Only the variation margin receivable/payable at year end is separately reported within the Statement of Assets and Liabilities. Prior variation margin movements were recorded to cash upon receipt or payment.

For the year ended December 31, 2018, the effect of derivative contracts in the Fund's Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Operations Location	Net Realized Gain (Loss) for the Year	Statement of Operations Location	Net Change in Unrealized Appreciation (Depreciation) for the Year
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Foreign exchange contracts	Forward exchange contracts	$ 7,559,927	Forward exchange contracts	$(195,746)
	Futures contracts	2,751,641	Futures contracts	728,309
Totals		$10,311,568		$ 532,563

For the year ended December 31, 2018, the average month end notional amount of futures contracts represented $48,187,996. The average month end contract value of forward exchange contracts was $120,636,495.

See Note 1(c) regarding derivative financial instruments.

11. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling $2 billion (Global Credit Facility) which matured on February 8, 2019. 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 8, 2019, the Borrowers renewed the Global Credit Facility for a one year term, maturing February 7, 2020, for a total of $2 billion.

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, 2018, the Fund did not use the Global Credit Facility.

Franklin Mutual Global Discovery VIP Fund (continued)

12. Fair Value Measurements

The Fund follows a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's financial instruments and are summarized in the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

A summary of inputs used as of December 31, 2018, in valuing the Fund's assets and liabilities carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments in Securities:[a]				
Equity Investments:[b]				
Auto Components	$ 1,738,384	$ —	$ 501,078	$ 2,239,462
Automobiles	5,883,855	9,654,974	—	15,538,829
Capital Markets	2,580,758	3,744,050	—	6,324,808
Chemicals	—	6,811,514	—	6,811,514
Construction Materials	—	5,029,304	—	5,029,304
Electric Utilities	1,547,788	11,187,700	—	12,735,488
Machinery	—	2,159,844	—	2,159,844
Media	17,680,741	136,183	—	17,816,924
Metals & Mining	896,241	1,072,913	—	1,969,154
Software	18,118,401	10,617	—	18,129,018
Specialty Retail	—	3,623,991	—	3,623,991
All Other Equity Investments	398,154,542	—	—	398,154,542
Corporate Notes and Senior Floating Rate Interests	—	6,837,791	—	6,837,791
Corporate Notes and Senior Floating Rate Interests in Reorganization	—	6,156,493	—[c]	6,156,493
Companies in Liquidation	—	5,321	—[c]	5,321
Short Term Investments	24,462,709	8,400,000	—	32,862,709
Total Investments in Securities	$ 471,063,419	$ 64,830,695	$ 501,078	$ 536,395,192
Other Financial Instruments:				
Futures Contracts	$ 27,031	$ —	$ —	$ 27,031
Forward Exchange Contracts	—	41,411	—	41,411
Total Other Financial Instruments	$ 27,031	$ 41,411	$ —	$ 68,442
Liabilities:				
Other Financial Instruments:				
Securities Sold Short	$ 4,086,690	$ —	$ —	$ 4,086,690
Forward Exchange Contracts	—	1,218,222	—	1,218,222
Total Other Financial Instruments	$ —	$ 1,218,222	$ —	$ 1,218,222

[a]For detailed categories, see the accompanying Statement of Investments.
[b]Includes common and preferred stocks, management investment companies as well as other equity interests.
[c]Includes securities determined to have no value at December 31, 2018.

Franklin Mutual Global Discovery VIP Fund (continued)

12. Fair Value Measurements (continued)

A reconciliation of assets in which Level 3 inputs are used in determining fair value is presented when there are significant Level 3 financial instruments at the beginning and/or end of the year. At December 31, 2018, the reconciliation of assets is as follows:

	Balance at Beginning of Year	Purchases	Sales	Transfer Into Level 3	Transfer Out of Level 3[a]	Cost Basis Adjustments	Net Realized Gain (Loss)	Net Unrealized Appreciation (Depreciation)	Balance at End of Year	Net Change in Unrealized Appreciation (Depreciation) on Assets Held at Year End
Assets:										
Investments in Securities:										
Equity Investments:[b]										
Auto Components	$2,684,499	$—	$ —	$—	$ —	$—	$ —	$(2,183,421)	$501,078	$(2,183,421)
Diversified Financial Services	4,224,121	—	(4,153,225)	—	—	—	(1,276,775)	1,205,879	—	—
Software	8,810	—	—	—	(19,836)	—	—	11,026	—	—
Companies in Liquidation	136,964[c]	—	(1,162)	—	(118,073)	—	1,162	(18,891)	—[c]	—
Total Investments in Securities	$7,054,394	$—	$(4,154,387)	$—	$(137,909)	$—	$(1,275,613)	$ (985,407)	$501,078	$(2,183,421)

[a]The investments were transferred out of Level 3 as a result of the availability of other significant observable valuation inputs. May include amounts related to a corporate action.
[b]Includes common stocks as well as other equity interests.
[c]Includes securities determined to have no value.

13. Subsequent Events

The Fund has evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure other than those already disclosed in the financial statements.

Abbreviations

Counterparty		Currency		Counterparty	
BOFA	Bank of America Corp.	**EUR**	Euro	**ADR**	American Depositary Receipt
BONY	The Bank of New York Mellon Corp.	**GBP**	British Pound	**FHLB**	Federal Home Loan Bank
HSBK	HSBC Bank PLC	**USD**	United States Dollar	**LIBOR**	London InterBank Offered Rate
SSBT	State Street Bank and Trust Co., N.A.				
UBSW	UBS AG				

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Franklin Templeton Variable Insurance Products Trust and Shareholders of Franklin Mutual Global Discovery VIP Fund

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Franklin Mutual Global Discovery VIP Fund (the "Fund") as of December 31, 2018, the related statement of operations for the year ended December 31, 2018, the statement of changes in net assets for each of the two years in the period ended December 31, 2018, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2018 (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, 2018, 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, 2018 and the financial highlights for each of the five years in the period ended December 31, 2018 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, 2018 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.

PricewaterhouseCoopers LLP

San Francisco, California
February 15, 2019

We have served as the auditor of one or more investment companies in the Franklin Templeton Group of Funds since 1948.

Tax Information (unaudited)

Franklin Mutual Global Discovery VIP Fund

Under Section 852(b)(3)(C) of the Internal Revenue Code, the Fund hereby reports the maximum amount allowable but no less than $7,756,842 as a long term capital gain dividend for the fiscal year ended December 31, 2018.

Under Section 854(b)(1)(A) of the Internal Revenue Code, the Fund hereby reports 41.18% of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended December 31, 2018.

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 U.S. Aggregate Bond Index is a market capitalization-weighted index representing the U.S. investment-grade, fixed-rate, taxable bond market with index components for government and corporate, mortgage pass-through and asset-backed securities. All issues included are SEC registered, taxable, dollar denominated and nonconvertible, must have at least one year to final maturity and must be rated investment grade (Baa3/BBB-/BBB- or higher) using the middle rating of Moody's, Standard & Poor's and Fitch, respectively.

Bloomberg Barclays U.S. Government Index: Intermediate Component is the intermediate component of the Barclays U.S. Government Index, which includes public obligations of the U.S. Treasury with at least one year to final maturity and publicly issued debt of U.S. government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. government.

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.

FTSE World Government Bond Index is a market capitalization-weighted index consisting of investment-grade world government bond 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 U.S. and foreign governments, with a significant portion rated below investment grade. For the 12-month period ended 12/31/18, there were 320 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 12/31/18, there were 81 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

Lipper VIP General U.S. Government Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper General U.S. Government Funds classification in the Lipper VIP underlying funds universe. Lipper General U.S. Government Funds invest primarily in U.S. government and agency issues. For the 12-month period ended 12/31/18, 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 U.S.) and 23 emerging markets countries. The index covers approximately 85% of the global equity opportunity set outside the U.S.

MSCI Emerging Markets (EM) Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global emerging markets.

MSCI 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 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 U.S. equity market performance.

Standard & Poor's®/International Finance Corporation Investable (S&P/IFCI) Composite Index is a free float-adjusted, market capitalization-weighted index designed to measure equity performance in global emerging markets.

Board Members and Officers

The name, year of birth and address of the officers and board members, as well as their affiliations, positions held with the Trust, principal occupations during at least the past five years and number of U.S. 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	136	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 2017	112	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	136	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	136	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) (2016-present), 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	136	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	136	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).

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
John B. Wilson (1959) One Franklin Parkway San Mateo, CA 94403-1906	Lead Independent Trustee	Trustee since 2007 and Lead Independent Trustee since 2008	112	None

Principal Occupation During at Least the Past 5 Years:
President and Founder, Hyannis Port Capital, Inc. (real estate and private equity investing) (2002-present); Senior Advisor, McKinsey & Co. (consulting) (2017-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	150	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 42 of the investment companies in Franklin Templeton Investments; Vice Chairman, Investment Company Institute; and **formerly**, President, Franklin Resources, Inc. (1994-2015).

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
****Rupert H. Johnson, Jr. (1940)** One Franklin Parkway San Mateo, CA 94403-1906	Chairman of the Board, and Trustee	Chairman of the Board since 2013, and Trustee since 1988	136	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 40 of the investment companies in Franklin Templeton Investments.

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Alison E. Baur (1964) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2012	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
Deputy General Counsel, Franklin Templeton Investments; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 44 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	Treasurer, Chief Financial Officer and Chief Accounting Officer	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 44 of the investment companies in Franklin Templeton Investments.				
Steven J. Gray (1955) One Franklin Parkway San Mateo, CA 94403-1906	Vice President and Co-Secretary	Vice President since 2009 and Co-Secretary since January 2019	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 44 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 2017	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Vice President, Franklin Templeton Services, LLC; officer of 44 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).				
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 44 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 44 of the investment companies in Franklin Templeton Investments.				
Edward D. Perks (1970) One Franklin Parkway San Mateo, CA 94403-1906	President and Chief Executive Officer – Investment Management	Since December 2018	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: President and Director, Franklin Advisers, Inc.; and officer of nine of the investment companies in Franklin Templeton Investments (since December 2018).				

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 44 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).				
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 44 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 44 of the investment companies in Franklin Templeton Investments.				
Lori A. Weber (1964) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President and Co-Secretary	Vice President since 2011 and Co-Secretary since January 2019	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 44 of the investment companies in Franklin Templeton Investments.				

*We base the number of portfolios on each separate series of the U.S. registered investment companies within the Franklin Templeton Investments fund complex. These portfolios have a common investment manager or affiliated investment managers.

**Gregory E. Johnson is considered to be an interested person of the Fund under the federal securities laws due to his position as an officer and director of Franklin Resources, Inc. (Resources), which is the parent company of the Fund's investment manager and distributor. Rupert H. Johnson, Jr. is considered to be an interested person of the Fund under the federal securities laws due to his position as an 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

Board Approval of Investment Management Agreements

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST

Franklin Founding Funds Allocation VIP Fund
(Fund)

At a meeting held on October 23, 2018 (Meeting), the Board of Trustees (Board) of Franklin Templeton Variable Insurance Products Trust (Trust), including a majority of the trustees who are not "interested persons" as defined in the Investment Company Act of 1940 (Independent Trustees), reviewed and approved (i) a new investment management agreement between Franklin Advisers, Inc. (FAV) and the Trust, on behalf of the Fund, and (ii) new investment sub-advisory agreements (each a Sub-Advisory Agreement) between FAV and each of Franklin Templeton Institutional, LLC and Templeton Global Advisors Limited (each a Sub-Adviser), affiliates of FAV, on behalf of the Fund (each a Management Agreement) for an initial two year period effective on or about May 1, 2019, subject to prior approval of the shareholders of the Fund. The Independent Trustees received advice from and met separately with Independent Trustee counsel in considering whether to approve each new Management Agreement. FAV and the Sub-Advisers are each referred to herein as a Manager.

The Board reviewed and considered information provided by each Manager at the Meeting. The Board also considered a form of Management Agreement and Sub-Advisory Agreement, which have terms that are consistent with the current investment management agreements and investment sub-advisory agreements used for other funds in the Franklin Templeton Investments (FTI) fund complex. The Board further considered the code of ethics applied to the employees of each Manager and compliance policies and procedures applied to the employees of each Manager. The Board noted that the Fund currently maintains a static allocation to underlying funds and so does not currently have an investment manager, nor pay investment management fees. The Board discussed with FAV the reasons for its request that the Board approve the new Management Agreements, including the proposed repositioning of the Fund from a fund-of-funds with a static allocation strategy to a direct investment fund with an actively managed dynamic allocation strategy. The Board noted FAV's explanation that, as currently structured, the Fund generally does not meet the eligibility criteria for insurance companies' living benefits products. The Board also noted that the Fund's assets have declined substantially, from $4.2 billion as of August 31, 2012, to $923 million as of August 31, 2018. The Board further noted management's belief that the proposed repositioning will enable the Fund to be more widely distributed across insurance company platforms, reduce the volatility of the Fund's returns and reduce the Fund's overall expenses.

The Board reviewed and considered all of the factors it deemed relevant in approving each new Management Agreement, including, but not limited to: (i) the nature, extent and quality of the services to be provided by each Manager; (ii) the investment performance of the Fund; (iii) the costs of the services to be provided to the Fund; and (iv) the extent to which economies of scale are expected to be realized. The Board noted management's proposal to request shareholder approval to allow the Fund to use a manager-of-manager structure as many other funds in the FTI fund complex have in place. The Board also noted that the Fund's name would be changed to the "Franklin Allocation VIP Fund" to better reflect the repositioned strategy and structure of the Fund. In determining that the terms of each Management Agreement are fair and reasonable, the Board noted the level of services to be provided under each Management Agreement and the anticipated decrease in the overall fees and expenses of the Fund.

Nature, Extent and Quality of Services
The Board considered information regarding the nature, extent and quality of investment management services to be provided by each Manager and its affiliates to the Fund and its shareholders. In particular, the Board took into account management's belief that the proposed repositioning, including the change from a static allocation fund-of-funds to a direct investment allocation fund, will enable the Fund to be more widely distributed across insurance company platforms and reduce the Fund's overall expenses. The Board noted each Manager's experience as manager of other funds and accounts, including those within the FTI organization; the personnel, operations, financial condition, and investment management capabilities, methodologies and resources of each Manager and each Manager's capabilities, as demonstrated by, among other things, their policies and procedures designed to prevent violations of the Federal securities laws, which had previously been approved by the Board in connection with its oversight of other funds in the FTI organization.

Following consideration of such information, the Board was satisfied with the nature, extent and quality of services to be provided by each Manager and its affiliates to the Fund and its shareholders.

Fund Performance
The Board reviewed and considered the performance results of the Fund over various time periods ended August 31, 2018. The Board considered the performance returns for the Fund in comparison to the performance returns of mutual funds deemed comparable to the Fund included in a universe (Performance Universe) selected by Broadridge Financial Solutions, Inc. (Broadridge), an independent provider of investment company data. The Board received a description of the methodology used by Broadridge to select the mutual funds included in the Performance Universe. The Board also considered Fund performance reports provided and discussions that occurred with portfolio managers at Board meetings throughout the year. A summary of the Fund's performance results is below.

The Performance Universe for the Fund included the Fund and all mixed-asset target allocation growth funds underlying variable insurance products (VIPs). The Board noted that the Fund's annualized income return for the one-, three-, five- and 10-year periods was above the median of its Performance Universe. The Board also noted that the Fund's annualized total return for the one-, three-, five- and 10-year periods was below the median of its Performance Universe. Given the Fund's income-oriented focus, the Board concluded that the Fund's performance was satisfactory, but noted that it did not consider the current performance of the Fund to be a material factor in its consideration of the Management Agreements given the proposed repositioning and restructuring of the Fund.

Comparative Fees and Expenses
The Board reviewed and considered information regarding the Fund's proposed total expense ratio and its various components, including, as applicable, management fees; transfer agent expenses; underlying fund expenses; Rule 12b-1 and non-Rule 12b-1 service fees; and other non-management fees. The Board considered the proposed total expense ratio and, separately, the proposed contractual management fee rate, without the effect of fee waivers (Management Rate), if any, of the Fund in comparison to the median expense ratio and median Management Rate, respectively, of other mutual funds deemed comparable to and with a similar expense structure as proposed for the Fund selected by Broadridge (Expense Group). Broadridge fee and expense data is based upon information taken from each fund's most recent annual report, which reflects historical asset levels that may be quite different from those currently existing, particularly in a period of market volatility. While recognizing such inherent limitation and the fact that expense ratios and Management Rates generally increase as assets decline and decrease as assets grow, the Board believed the independent analysis conducted by Broadridge to be an appropriate measure of comparative fees and expenses. The Broadridge Management Rate includes administrative charges, and the proposed total expense ratio was shown for Class 4 of the Fund and an actual total expense ratio was shown for Class B, Class 2, Class II, Service Class and Class S of the other funds in the Expense Group. The Board received a description of the methodology used by Broadridge to select the mutual funds included in the Expense Group.

The Expense Group for the Fund included the Fund and seven other mixed-asset target allocation growth funds underlying VIPs. The Board noted that the Management Rate and proposed total expense ratio were below the medians of its Expense Group. The Board concluded that the Management Rate to be charged to the Fund is reasonable. In doing so, the Board noted that the Fund's proposed total expense ratio reflected a fee waiver from management and that the Sub-Advisers would be paid by FAV out of the management fee FAV would receive from the Fund.

Profitability
The Board then noted that FAV and its affiliates could not report any financial results from their relationships with the Fund because the Fund does not currently have an investment manager, nor pay investment management fees, and thus, the Board could not evaluate FAV's or its affiliates' profitability with respect to the Fund. The Board noted that investment management fees are currently paid by the underlying funds in which the Fund invests.

Economies of Scale
The Board considered the extent to which FAV and its affiliates may realize economies of scale, if any, and whether the Fund's proposed management fee structure reflects any economies of scale for the benefit of shareholders. The Board noted that FAV (and its affiliates) could not report on any potential economies of scale at this time given the repositioning and restructuring of the Fund, but would be able to do so in connection with the Fund's annual contract renewal process.

Conclusion
Based on its review, consideration and evaluation of all factors it believed relevant, including the above-described factors and conclusions, the Board unanimously approved each Management Agreement for an initial two year period effective

on or about May 1, 2019, subject to prior approval of the shareholders of the Fund.

Proxy Voting Policies and Procedures

The Trust's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Trust uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Trust's complete Policies online at franklintempleton.com. Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at (954) 527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. Copies of the Trust's proxy voting records are also made available online at franklintempleton.com and posted on the U.S. Securities and Exchange Commission's website at sec.gov and reflect the most recent 12-month period ended June 30.

Quarterly Statement of Investments

The Trust files a complete statement of investments with the U.S. Securities and Exchange Commission for the first and third quarters for each fiscal year on Form N-Q. Shareholders may view the filed Form N-Q by visiting the Commission's website at sec.gov. The filed form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling (800) SEC-0330.

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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.

VIP A 02/19

Invesco V.I. Global Real Estate Fund

The Fund provides a complete list of its holdings four times in each fiscal year, at the quarter-ends. For the second and fourth quarters, the lists appear in the Fund's semi-annual and annual reports to shareholders. For the first and third quarters, the Fund files the lists with the Securities and Exchange Commission (SEC) on Form N-Q (or any successor Form). The Fund's Form N-Q (or any successor Form) filings are available on the SEC website, sec.gov. The SEC file numbers for the Fund are 811-07452 and 033-57340. The Fund's most recent portfolio holdings, as filed on Form N-Q (or any successor Form), have also been made available to insurance companies issuing variable annuity contracts and variable life insurance policies ("variable products") that invest in the Fund.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge, upon request, from our Client Services department at 800 959 4246 or at invesco.com/proxyguidelines. The information is also available on the SEC website, sec.gov.

Information regarding how the Fund voted proxies related to its portfolio securities during the most recent 12-month period ended June 30 is available at invesco.com/proxysearch. The information is also available on the SEC website, sec.gov.

Invesco Advisers, Inc. is an investment adviser; it provides investment advisory services to individual and institutional clients and does not sell securities. Invesco Distributors, Inc. is the US distributor for Invesco Ltd.'s retail mutual funds, exchange-traded funds and institutional money market funds. Both are wholly owned, indirect subsidiaries of Invesco Ltd.

This report must be accompanied or preceded by a currently effective Fund prospectus and variable product prospectus, which contain more complete information, including sales charges and expenses. Investors should read each carefully before investing.

Invesco Distributors, Inc. VIGRE-AR-1 02152019 1154

Management's Discussion of Fund Performance

Performance summary

For the year ended December 31, 2018, Series I shares of Invesco V.I. Global Real Estate Fund (the Fund) outperformed the Fund's style-specific benchmark, the Custom Invesco Global Real Estate Index.

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

Fund vs. Indexes

Total returns, 12/31/17 to 12/31/18, excluding variable product issuer charges. If variable product issuer charges were included, returns would be lower.

Series I Shares	-6.15%
Series II Shares	-6.33
MSCI World Index▼ (Broad Market Index)	-8.71
Custom Invesco Global Real Estate Index■ (Style-Specific Index)	-6.37
Lipper VUF Real Estate Funds Classification Average◆ (Peer Group)	-5.84

Source(s): ▼RIMES Technologies Corp.; ■Invesco, RIMES Technologies Corp.; ◆Lipper Inc.

Market conditions and your Fund

2018 appears to have marked the transition into the latter phase of the current global economic cycle. Overall, global growth was good in recent quarters, although there was a clear divergence between regions of the world. Tax breaks and corporate earnings boosted US growth during the year. In contrast, economic moderation was seen in China, Japan and Europe. Inflation rose moderately but remained within normal ranges in most countries. Key global economies showed record low unemployment rates and growing consumption. However, as the year progressed, an increasing number of threats to the growth outlook became evident and economic growth forecasts for 2019 were moderated. These potential threats from policy mistakes, slowing growth and geopolitics were numerous and raised concerns, which were reflected during the last quarter of the year as equity markets fell, bond values rose and credit availability receded.

Overall performance from global listed real estate in 2018 was negative for the first time since 2011. Earnings and net asset value (NAV) growth was almost universally positive. However, many countries saw real estate investment trusts (REITs) stock valuations reflect material discounts to NAV. This reflected a view of maturity of cycle and rising uncertainty for growth prospects. In some cases, this was warranted. In others, it appeared to offer opportunity. With the market trading below NAV, secondary market equity issuance and initial public offering activity were limited during the year. In contrast, mergers and acquisitions activity increased, which we believe may remain prevalent into 2019. Institutional allocations to real assets were undiminished, private real estate investment markets were generally still well bid, and the spread between real estate yields and risk-free rates remained wider than the long-term average. Without meaningful economic deterioration or a major systemic event, demand for quality cash flow and support for real estate values appeared to exist.

During the year, key detractors from the Fund's performance relative to the style-specific benchmark came from security selection in the US and Japan. Key relative contributors to the Fund's performance included security selection in the United Kingdom, along with security selection in Hong Kong and China. Ancillary cash also contributed to the Fund's relative return during the year.

Top contributors to the Fund's performance during the year included **Link REIT** and **AvalonBay Communities**. Link REIT is a retail and quality income-focused company that is listed in Hong Kong. AvalonBay Communities owns a high-quality portfolio of multifamily assets, typically located in markets along the east and west coast of the US.

Top detractors from the Fund's performance during the year included **Weyerhaeuser**, one of the world's largest owners of timberlands and data center **Equinix**.

During the year, we initiated new positions in holdings in Asia. These holdings included Japanese REITs **ORIX** and **Japan Prime**, which were added due to improved relative value. Other new holdings included **Workspace Group** and **Empire State Realty Trust**.

At the end of the year, the Fund held an underweight allocation to North America versus the style-specific benchmark, driven primarily by underweight exposure to Canada. The underweight exposure to Canada was a reflection of decelerating growth conditions, particularly in western Canada, and poor relative valuation in listed real estate markets. In the US, the Fund was focused on property types with higher current income and more defensive-oriented lease structures and cash flow streams, which we believe should be more attractive in a moderating economic environment.

Relative to the style-specific index, the Fund held a small underweight allocation to the Asia Pacific region at the end of

Portfolio Composition

By country	*% of total net assets*
United States	47.3%
Japan	10.3
Hong Kong	7.4
China	5.9
Germany	5.6
Australia	4.1
United Kingdom	3.8
Singapore	2.3
France	2.2
Countries each less than 2% of portfolio	10.0
Money Market Funds Plus Other Assets Less Liabilities	1.1

Top 10 Equity Holdings*

	% of total net assets
1. Simon Property Group, Inc.	3.1%
2. Prologis, Inc.	3.1
3. AvalonBay Communities, Inc.	2.3
4. Public Storage	2.2
5. Link REIT	2.0
6. Boston Properties, Inc.	2.0
7. CK Asset Holdings Ltd.	1.8
8. Vonovia S.E.	1.8
9. Equity Residential	1.7
10. Mid-America Apartment Communities, Inc.	1.7

Total Net Assets	$151.6 million
Total Number of Holdings*	190

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

*Excluding money market fund holdings.

Data presented here are as of December 31, 2018.

the year, with a focus on stocks with company-specific catalysts and local relative value opportunity. Across the region, the Fund held underweight allocations to Australia, Japan and Hong Kong. The Fund held a modest overweight allocation to Singapore.

The Fund ended the year with a small underweight exposure to Europe, relative to the style-specific index. Key active exposures reflected a material underweight allocation to retail-focused REITs and overweight allocation to the secular growth prospects of industrial and residential real estate. The Fund held an underweight allocation to the UK and France, with a material country overweight exposure in Continental Europe focused on Germany and smaller country overweight exposure to Sweden, Spain and Ireland, where fundamental growth prospects were above average. Focus within Europe remained on companies with above-average earnings and NAV growth prospects as well as healthy balance sheets.

Relative to the style-specific index, the Fund ended the year with a neutral position to emerging markets (EM). Key active positioning within EM reflected underweight exposure to Mexico and Thailand relative to the style-specific benchmark. An overweight exposure to Indonesia, relative to the style-specific benchmark, was moderated following a period of significant outperformance in the region.

At the close of the year, the listed real estate sector appeared to be in a relatively healthy position, with balance sheet strength, limited over-supply risk and high occupancy levels. With economic, political and market uncertainty elevated, we believe real estate's offer of relatively stable cash flow and growing dividends, alongside its discounted valuation characteristics, appears to be a fair relative investment opportunity.

We thank you for your continued investment in Invesco V.I. Global Real Estate Fund.

The views and opinions expressed in management's discussion of Fund performance are those of Invesco Advisers, Inc. These views and opinions are subject to change at any time based on factors such as market and economic conditions. These views and opinions may not be relied upon as investment advice or recommendations, or as an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but Invesco Advisers, Inc. makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

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

Joe Rodriguez, Jr.
Portfolio Manager, is co-lead manager of Invesco V.I. Global Real Estate Fund. He is Head of Global Securities with Invesco Real Estate, where he oversees all phases of the unit, including securities research and administration. Mr. Rodriguez joined Invesco in 1990. He earned a BBA in economics and finance and an MBA in finance from Baylor University.

James Cowen
Portfolio Manager, is co-lead manager of Invesco V.I. Global Real Estate Fund. He joined Invesco in 2001. Mr. Cowen earned a Master of Town and Country Planning degree from the University of Manchester and a Master of Philosophy degree in land economy from Cambridge University.

Paul Curbo
Chartered Financial Analyst, Portfolio Manager, is co-lead manager of Invesco V.I. Global Real Estate Fund. He joined Invesco in 1998. Mr. Curbo earned a BBA in finance from The University of Texas at Austin.

Ping-Ying Wang
Chartered Financial Analyst, Portfolio Manager, is co-lead manager of Invesco V.I. Global Real Estate Fund. She joined Invesco in 1998. Ms. Wang earned a BS in international finance from the People's University of China and a PhD in finance from The University of Texas at Dallas.

Mark Blackburn
Chartered Financial Analyst, Portfolio Manager, is manager of Invesco V.I. Global Real Estate Fund. He joined Invesco in 1998. Mr. Blackburn earned a BS in accounting from Louisiana State University and an MBA from Southern Methodist University. He is also a Certified Public Accountant.

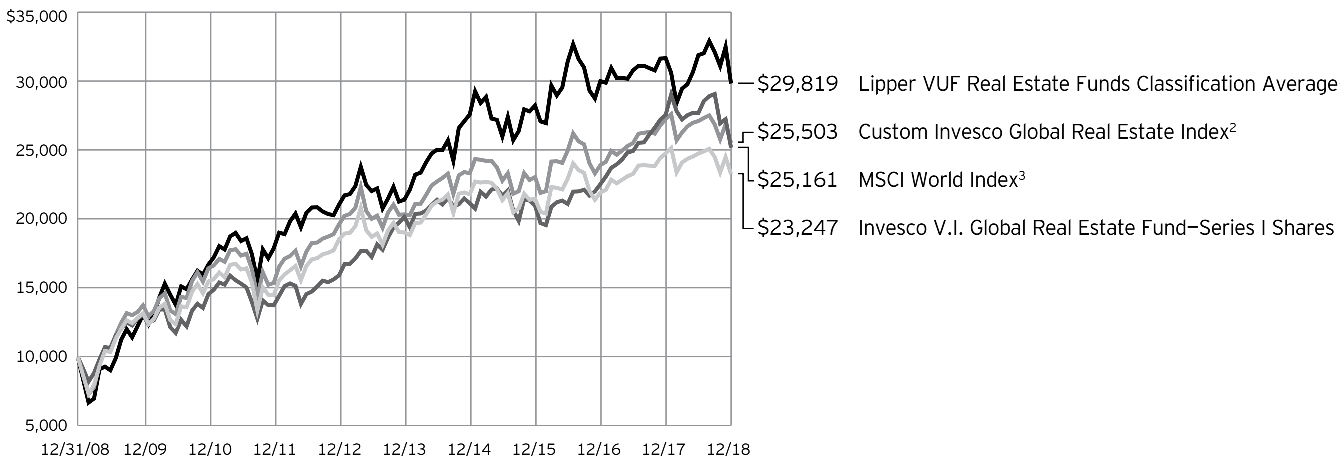
Grant Jackson
Chartered Financial Analyst, Portfolio Manager, is manager of Invesco V.I. Global Real Estate Fund. He joined Invesco in 2005. Mr. Jackson earned his BS degree in mechanical engineering from The University of Texas at Austin and his MBA from Southern Methodist University's Cox School of Business.

Darin Turner
Portfolio Manager, is manager of Invesco V.I. Global Real Estate Fund. He joined Invesco in 2005. Mr. Turner earned a BBA in finance from Baylor University, an MS in real estate from The University of Texas at Arlington and an MBA specializing in investments from Southern Methodist University.

Your Fund's Long-Term Performance

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

Fund and index data from 12/31/08



1 Source: Lipper Inc.
2 Source(s): Invesco, RIMES Technologies Corp.
3 Source: RIMES Technologies Corp.

Past performance cannot guarantee comparable future results.

Average Annual Total Returns *As of 12/31/18*	
Series I Shares	
Inception (3/31/98)	7.28%
10 Years	8.80
5 Years	4.10
1 Year	-6.15
Series II Shares	
Inception (4/30/04)	6.96%
10 Years	8.53
5 Years	3.85
1 Year	-6.33

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

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

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

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

The most recent month-end performance at the Fund level, excluding variable product charges, is available at 800 451 4246. As mentioned above, for the most recent month-end performance including variable product charges, please contact your variable product issuer or financial adviser.

Fund performance reflects any applicable fee waivers and/or expense reimbursements. Had the adviser not waived fees and/or reimbursed expenses currently or in the past, returns would have been lower. See current prospectus for more information.

Invesco V.I. Global Real Estate Fund's investment objective is total return through growth of capital and current income.

- Unless otherwise stated, information presented in this report is as of December 31, 2018, and is based on total net assets.
- Unless otherwise noted, all data provided by Invesco.

Principal risks of investing in the Fund

Convertible securities risk. The market values of convertible securities are affected by market interest rates, the risk of actual issuer default on interest or principal payments and the value of the underlying common stock into which the convertible security may be converted. Additionally, a convertible security is subject to the same types of market and issuer risks as apply to the underlying common stock. In addition, certain convertible securities are subject to involuntary conversions and may undergo principal write-downs upon the occurrence of certain triggering events, and, as a result, are subject to an increased risk of loss. Convertible securities may be rated below investment grade.

Debt securities risk. The prices of debt securities held by the Fund will be affected by changes in interest rates, the creditworthiness of the issuer and other factors. An increase in prevailing interest rates typically causes the value of existing debt securities to fall and often has a greater impact on longer-duration debt securities and higher quality debt securities. Falling interest rates will cause the Fund to reinvest the proceeds of debt securities that have been repaid by the issuer at lower interest rates. Falling interest rates may also reduce the Fund's distributable income because interest payments on floating rate debt instruments held by the Fund will decline. The Fund could lose money on investments in debt securities if the issuer or borrower fails to meet its obligations to make interest payments and/or to repay principal in a timely manner. Changes in an issuer's financial strength, the market's perception of such strength or in the credit rating of the issuer or the security may affect the value of debt securities. The Adviser's credit analysis may fail to anticipate such changes, which could result in buying a debt security at an inopportune time or failing to sell a debt security in advance of a price decline or other credit event.

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

Emerging markets securities risk. Emerging markets (also referred to as developing markets) are generally subject to greater market volatility, political, social and economic instability, uncertain trading markets and more governmental limitations on foreign investment than more developed markets. In addition, companies operating in emerging markets may be subject to lower trading volume and greater price fluctuations than companies in more developed markets. Securities law and the enforcement of systems of taxation in many emerging market countries may change quickly and unpredictably. The Fund's investments in China A-shares are subject to trading restrictions, quota limitations and clearing and settlement risks. In addition, investments in emerging markets securities may also be subject to additional transaction costs, delays in settlement procedures, and lack of timely information.

Foreign securities risk. The Fund's foreign investments may be adversely affected by political and social instability, changes in economic or taxation policies, difficulty in enforcing obligations, decreased liquidity or increased volatility. Foreign investments also involve the risk of the possible seizure, nationalization or expropriation of the issuer or foreign deposits (in which the Fund could lose its entire investments in a certain market) and the possible adoption of foreign governmental restrictions such as exchange controls. Unless the Fund has hedged its foreign securities risk, foreign securities risk also involves the risk of negative foreign currency rate fluctuations, which may cause the value of securities denominated in such foreign currency (or other instruments through which the Fund has exposure to foreign currencies) to decline in value. Currency exchange rates may fluctuate significantly over short periods of time. Currency hedging strategies, if used, are not always successful.

Geographic focus risk. The Fund may from time to time invest a substantial amount of its assets in securities of issuers located in a single country or a limited number of countries. Adverse economic, political or social conditions in those countries may therefore have a significant negative impact on the Fund's investment performance.

High yield debt securities (junk bond) risk. Investments in high yield debt securities ("junk bonds") and other lower-rated securities will subject the Fund to substantial risk of loss. These securities are considered to be speculative with respect to the issuer's ability to pay interest and principal when due, are more susceptible to default or decline in market value and are less liquid than investment grade debt securities. Prices of high yield debt securities tend to be very volatile.

Management risk. The Fund is actively managed and depends heavily on the Adviser's judgment about markets, interest rates or the attractiveness, relative values, liquidity, or potential appreciation of particular investments made for the Fund's portfolio. The Fund could experience losses if these judgments prove to be incorrect. Additionally, legislative, regulatory, or tax developments may adversely affect management of the Fund and, therefore, the ability of the Fund to achieve its investment objective.

Market risk. The market values of the Fund's investments, and therefore the value of the Fund's shares, will go up and down, sometimes rapidly or unpredictably. Market risk may affect a single issuer, industry or section of the economy, or it may affect the market as a whole. Individual stock prices tend to go up and down more dramatically than those of certain other types of investments, such as bonds. During a general downturn in the financial markets, multiple asset classes may decline in value. When perform well, there can be no assurance that specific investments held by the Fund will rise in value.

Mortgage- and asset-backed securities risk. Mortgage- and asset-backed securities, including collateralized debt obligations and collateralized mortgage obligations, are subject to prepayment or call risk, which is the risk that a borrower's payments may be received earlier or later than expected due to changes in prepayment rates on underlying loans. This could result in the Fund reinvesting these early payments at lower interest rates, thereby reducing the Fund's income. Mortgage- and asset-backed securities also are subject to extension risk, which is the risk that an unexpected rise in interest rates could reduce the rate of prepayments, causing the price of the mortgage- and asset-backed securities and the Fund's share price to fall. An unexpectedly high rate of defaults on the mortgages held by a mortgage pool may adversely affect the value of mortgage-backed securities and could result in losses to the Fund. The Fund may invest in mortgage pools that include subprime mortgages, which are loans made to borrowers with weakened credit histories or with lower capacity to make timely payments on their mortgages. Privately issued mortgage-related securities are not subject to the same underwriting requirements as those with government or government-sponsored entity guarantees and, therefore, mortgage loans underlying privately issued mortgage-related securities may have less favorable collateral, credit risk or other underwriting characteristics, and wider variances in interest rate, term, size, purpose and borrower characteristics.

Preferred securities risk. Preferred securities are subject to issuer-specific and market risks applicable generally to equity securities. Preferred securities also may be subordinated to bonds or other debt instruments, subjecting them to a greater risk of non-payment, may be less liquid than many other securities, such as common stocks, and generally offer no voting rights with respect to the issuer.

REIT risk/real estate risk. The Fund concentrates its investments in the securities of real estate and real estate related companies. Investments in real estate related instruments may be affected by economic, legal, cultural, environmental or technological factors that affect property values, rents or occupancies of real estate related to the Fund's holdings. Shares of real estate related companies, which tend to be small- and mid-cap companies, may be more volatile and less liquid than larger companies. If a real estate related company defaults on certain types of debt obligations, the Fund may own real estate directly, which involves additional risks such as environmental liabilities; difficulty in valuing and selling the real estate; and economic or regulatory changes.

Short position risk. Because the Fund's potential loss on a short position arises from increases in the value of the asset sold short, the Fund will incur a loss on a short position, which is theoretically unlimited, if the price of the asset sold short increases from the short sale price. The counterparty to a short position or other market factors may prevent the Fund from closing out a short position at a desirable time or price and may reduce or eliminate any gain or result in a loss. In a rising market, the Fund's short positions will cause the Fund to underperform the overall market and its peers that do not engage in shorting. If the Fund holds both long and short positions, and both positions decline simultaneously, the short positions will not provide any buffer (hedge) from declines in value of the Fund's long positions. Certain types of short positions involve leverage, which may exaggerate any losses, potentially more than the actual cost of the investment, and will increase the volatility of the Fund's returns.

Small- and mid-capitalization companies risks. Small- and mid-capitalization companies tend to be more vulnerable to changing market conditions, may have little or no operating history or track record of success, and may have more limited product lines and markets, less experienced management and fewer financial resources than larger companies. These companies' securities may be more volatile and less liquid than those of more established companies, and their returns may vary, sometimes significantly, from the overall securities market.

About indexes used in this report

The **MSCI World Index℠** is an unmanaged index considered representative of stocks of developed countries. The index is computed using the net return, which withholds applicable taxes for non-resident investors.

The **Custom Invesco Global Real Estate Index** is composed of the FTSE EPRA/NAREIT Developed Index (gross) from Fund inception through February, 17, 2005; the FTSE EPRA/NAREIT Developed Index (net) from February 18, 2005, through June 30, 2014; and the FTSE EPRA/NAREIT Global Index (net) thereafter.

The **Lipper VUF Real Estate Funds Classification Average** represents an average of all variable insurance underlying funds in the Lipper Real Estate Funds classification.

The **FTSE EPRA/NAREIT Developed Index** is considered representative of global real estate companies and REITs. The net version of the index is computed using the net return, which withholds taxes for non-resident investors.

The **FTSE EPRA/NAREIT Global Index** is designed to track the performance of listed real estate companies and REITS in developed and emerging markets and is computed using the net return, which withholds taxes for non-resident investors.

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

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

Other information

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

Schedule of Investments

December 31, 2018

	Shares	Value
Real Estate Investments Trust, Common Stocks & Other Equity Interests–98.89%		
Australia–4.12%		
Dexus	117,905	$ 881,952
Goodman Group	243,256	1,821,316
GPT Group (The)	165,272	621,626
Mirvac Group	544,998	859,867
Scentre Group	749,054	2,057,625
		6,242,386
Brazil–0.58%		
BR Malls Participacoes S.A.	102,925	347,089
BR Properties S.A.	54,800	115,941
Cyrela Brazil Realty S.A. Empreendimentos e Participacoes	28,800	114,955
LOG Commercial Properties e Participacoes S.A.[(a)]	2,807	13,049
MRV Engenharia e Participacoes S.A.	38,900	124,054
Multiplan Empreendimentos Imobiliarios S.A.	25,300	159,337
		874,425
Canada–1.78%		
Allied Properties REIT	23,172	752,258
Canadian Apartment Properties REIT	9,106	295,485
Chartwell Retirement Residences	39,010	390,614
H&R REIT	25,481	385,425
Killam Apartment REIT	24,271	283,387
RioCan REIT	33,896	590,921
		2,698,090
Chile–0.08%		
Parque Arauco S.A.	57,927	128,633
China–5.89%		
Agile Group Holdings Ltd.	140,000	162,886
CapitaLand Retail China Trust	82,100	81,738
China Aoyuan Property Group Ltd.	133,000	83,611
China Evergrande Group	295,000	876,533
China Jinmao Holdings Group Ltd.	902,000	402,517
China Overseas Land & Investment Ltd.	458,000	1,576,320
China Resources Land Ltd.	266,444	1,017,300
China SCE Group Holdings Ltd.	173,000	62,637
China Vanke Co., Ltd. -Class H	161,600	544,031
CIFI Holdings (Group) Co. Ltd.	542,000	285,232
Country Garden Holdings Co. Ltd.	665,000	801,058
Guangzhou R&F Properties Co. Ltd.	105,600	158,166
Jiayuan International Group Ltd.	110,000	203,410
KWG Group Holdings Ltd.	290,000	253,954
Logan Property Holdings Co. Ltd.	222,000	276,239
Longfor Group Holdings Ltd.	149,500	446,753
Shimao Property Holdings Ltd.	201,000	531,688
Sino-Ocean Group Holding Ltd.	290,000	126,741
SOHO China Ltd.[(a)]	225,500	80,345

	Shares	Value
China–(continued)		
Sunac China Holdings Ltd.	221,000	$ 710,711
Times China Holdings Ltd.	164,000	180,934
Yanlord Land Group Ltd.	75,900	67,573
		8,930,377
France–2.19%		
ICADE	9,241	702,502
Klepierre S.A.	17,307	532,850
Unibail-Rodamco-Westfield[(a)]	204	31,647
Unibail-Rodamco-Westfield	13,300	2,054,433
		3,321,432
Germany–5.60%		
Aroundtown S.A.	157,503	1,307,171
Deutsche Wohnen S.E.	45,337	2,077,794
Grand City Properties S.A.	60,758	1,317,633
LEG Immobilien AG	9,979	1,041,815
Vonovia S.E.	60,683	2,752,595
		8,497,008
Hong Kong–7.38%		
CK Asset Holdings Ltd.	384,300	2,794,538
Hang Lung Properties Ltd.	210,000	400,128
K Wah International Holdings Ltd.	125,000	59,060
Kerry Properties Ltd	60,000	203,849
Link REIT	295,500	2,975,865
Mapletree North Asia Commercial Trust	170,200	142,144
New World Development Co. Ltd.	1,340,000	1,760,295
Sino Land Co. Ltd.	274,000	466,303
Sun Hung Kai Properties Ltd.	109,000	1,545,510
Swire Properties Ltd.	140,200	489,916
Wharf Real Estate Investment Co. Ltd.	45,000	267,492
Yuexiu REIT	148,000	94,772
		11,199,872
India–0.27%		
Ascendas India Trust	156,000	123,614
DLF Ltd.	40,670	102,961
Oberoi Realty Ltd.	28,664	181,000
		407,575
Indonesia–0.26%		
PT Bumi Serpong Damai Tbk[(a)]	1,182,700	103,519
PT Ciputra Development Tbk	1,747,438	122,734
PT Pakuwon Jati Tbk	2,320,400	100,045
PT Summarecon Agung Tbk	1,351,700	75,669
		401,967
Ireland–0.30%		
Green REIT PLC	296,275	457,522

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

	Shares	Value
Japan–10.34%		
Activia Properties, Inc.	13	$ 52,673
Advance Residence Investment Corp.	297	820,643
Daiwa Office Investment Corp.	89	561,097
Fukuoka REIT Corp.	204	309,536
GLP J-REIT	573	584,998
Hulic Co., Ltd.	39,759	355,785
Invincible Investment Corp.	440	181,625
Japan Hotel REIT Investment Corp.	959	685,969
Japan Prime Realty Investment Corp.	62	235,440
Japan Real Estate Investment Corp.	187	1,050,137
Japan Rental Housing Investments Inc.	482	361,044
Japan Retail Fund Investment Corp.	388	777,027
Kenedix Office Investment Corp.	64	408,740
Mitsubishi Estate Co., Ltd.	117,620	1,843,218
Mitsui Fudosan Co., Ltd.	97,658	2,163,846
Mitsui Fudosan Logistics Park Inc.	93	262,736
Nippon Building Fund Inc.	140	881,688
Nippon Prologis REIT Inc.	182	384,202
Nomura Real Estate Master Fund, Inc.	313	411,910
ORIX JREIT Inc.	458	762,184
Sumitomo Realty & Development Co., Ltd.	43,289	1,581,075
Tokyo Tatemono Co., Ltd.	38,982	401,719
United Urban Investment Corp.	389	603,184
		15,680,476
Malaysia–0.39%		
IOI Properties Group Bhd.	329,200	122,678
KLCCP Stapled Group	129,800	240,597
Mah Sing Group Bhd.	291,200	64,368
Sime Darby Property Bhd.	696,400	167,675
		595,318
Malta–0.00%		
BGP Holdings PLC (Acquired 08/06/2009; Cost$0)[(a)(b)(c)]	1,355,927	0
Mexico–0.40%		
Fibra Uno Administracion S.A. de C.V.	320,000	355,795
Macquarie Mexico Real Estate Management S.A. de C.V.	208,000	186,813
PLA Administradora Industrial, S. de R.L. de C.V.	58,700	69,836
		612,444
Netherlands–0.15%		
InterXion Holding N.V.[(a)]	4,316	233,755
Philippines–0.82%		
Ayala Land, Inc.	665,000	514,620
Robinsons Land Corp.	243,300	93,230
SM Prime Holdings Inc.	935,700	637,027
		1,244,877
Singapore–2.32%		
Ascendas REIT	273,000	513,309

	Shares	Value
Singapore–(continued)		
CapitaLand Commercial Trust	411,300	$ 527,006
CapitaLand Ltd.	243,600	554,025
City Developments Ltd.	156,200	926,957
Mapletree Commercial Trust	342,000	413,711
Mapletree Logistics Trust	636,400	587,611
		3,522,619
South Africa–0.95%		
Growthpoint Properties Ltd.	342,849	553,206
Hyprop Investments Ltd.	50,946	288,591
Redefine Properties Ltd.	514,984	346,127
SA Corporate Real Estate Ltd.	1,069,015	249,654
		1,437,578
Spain–0.88%		
Inmobiliaria Colonial SOCIMI, S.A.	51,061	474,606
Merlin Properties SOCIMI, S.A.	69,534	859,225
		1,333,831
Sweden–1.65%		
Fabege AB	64,788	862,511
Hufvudstaden AB-Class A	57,081	883,326
Wihlborgs Fastigheter AB	65,219	755,678
		2,501,515
Switzerland–0.69%		
Swiss Prime Site AG	12,939	1,048,309
Thailand–0.59%		
AP Thailand PCL	583,700	107,561
Central Pattana PCL	229,700	526,524
Origin Property PCL	72,800	14,789
Supalai PCL	115,500	64,623
Supalai PCL-NVDR	71,700	40,117
WHA Corp. PCL-NVDR	1,052,300	138,142
		891,756
Turkey–0.05%		
Emlak Konut Gayrimenkul Yatirim Ortakligi A.S.	262,312	73,855
United Arab Emirates–0.12%		
Emaar Malls PJSC	364,141	177,132
United Kingdom–3.81%		
Assura PLC	523,349	352,208
Big Yellow Group PLC	41,497	461,130
Derwent London PLC	18,253	662,489
Grainger PLC	157,375	420,838
Great Portland Estates PLC	7,254	60,789
Land Securities Group PLC	97,154	996,108
SEGRO PLC	146,957	1,102,515
Tritax Big Box REIT PLC	443,691	741,490
UNITE Group PLC (The)	51,399	527,326
Workspace Group PLC	45,437	458,382
		5,783,275

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

	Shares	Value
United States–47.28%		
Agree Realty Corp.	11,241	$ 664,568
Alexandria Real Estate Equities, Inc.	12,251	1,411,805
American Assets Trust, Inc.	6,230	250,259
American Campus Communities, Inc.	32,660	1,351,797
American Homes 4 Rent-Class A	21,419	425,167
AvalonBay Communities, Inc.	19,984	3,478,215
Boston Properties, Inc.	26,288	2,958,714
Corporate Office Properties Trust	21,675	455,825
CyrusOne Inc.	15,571	823,394
Digital Realty Trust, Inc.	12,761	1,359,685
Duke Realty Corp.	32,449	840,429
EastGroup Properties, Inc.	5,260	482,500
Empire State Realty Trust, Inc.-Class A	41,198	586,248
Equinix, Inc.	3,844	1,355,241
Equity LifeStyle Properties, Inc.	8,814	856,104
Equity Residential	38,755	2,558,218
Essex Property Trust, Inc.	6,622	1,623,781
Extra Space Storage Inc.	18,546	1,678,042
Federal Realty Investment Trust	10,809	1,275,894
HCP, Inc.	51,043	1,425,631
Healthcare Realty Trust, Inc.	74,949	2,131,550
Highwoods Properties, Inc.	9,333	361,094
Hilton Worldwide Holdings Inc.	16,822	1,207,820
Hudson Pacific Properties, Inc.	56,248	1,634,567
Invitation Homes Inc.	87,962	1,766,277
Kilroy Realty Corp.	22,234	1,398,074
Liberty Property Trust	25,626	1,073,217
Macerich Co. (The)	20,218	875,035
Mid-America Apartment Communities, Inc.	26,617	2,547,247
National Health Investors, Inc.	12,521	945,836
National Retail Properties Inc.	35,051	1,700,324
Park Hotels & Resorts Inc.	52,178	1,355,584
Pebblebrook Hotel Trust	13,889	393,198
PotlatchDeltic Corp.	10,961	346,806
Prologis, Inc.	79,622	4,675,404

	Shares	Value
United States–(continued)		
Public Storage	16,467	$ 3,333,085
QTS Realty Trust Inc.-Class A	7,486	277,356
Realty Income Corp.	34,014	2,144,243
Regency Centers Corp.	10,513	616,903
Retail Opportunity Investments Corp.	111,384	1,768,778
SBA Communications Corp.-Class A[(a)]	5,558	899,785
Simon Property Group, Inc.	28,213	4,739,502
STAG Industrial, Inc.	33,010	821,289
Sun Communities, Inc.	13,428	1,365,762
Sunstone Hotel Investors, Inc.	72,009	936,837
Terreno Realty Corp.	9,479	333,376
Ventas, Inc.	22,926	1,343,234
VICI Properties Inc.	73,349	1,377,494
Washington REIT	50,851	1,169,573
Weingarten Realty Investors	10,796	267,849
Welltower Inc.	22,177	1,539,306
Weyerhaeuser Co.	22,348	488,527
		71,696,449
Total Real Estate Investments Trust, Common Stocks & Other Equity Interests (Cost $151,336,295)		149,992,476
Money Market Funds–0.28%		
Invesco Government & Agency Portfolio-Institutional Class, 2.30%[(d)]	147,502	147,502
Invesco Liquid Assets Portfolio-Institutional Class, 2.48%[(d)]	105,346	105,356
Invesco Treasury Portfolio-Institutional Class, 2.30%[(d)]	168,573	168,573
Total Money Market Funds (Cost $421,431)		421,431
TOTAL INVESTMENTS IN SECURITIES–99.17% (Cost $151,757,726)		150,413,907
OTHER ASSETS LESS LIABILITIES–0.79%		1,200,915
NET ASSETS–100.00%		$151,614,822

Investment Abbreviations:

NVDR – Non-Voting Depositary Receipt
REIT – Real Estate Investment Trust

Notes to Schedule of Investments:

(a) Non-income producing security.
(b) Security purchased or received in transaction exempt from registration under the Securities Act of 1933, as amended (the "1933 Act"). The security may be resold pursuant to an exemption from registration under the 1933 Act, typically to qualified institutional buyers. The value of this security at December 31, 2018 represented less than 1% of the Fund's Net Assets.
(c) Security valued using significant unobservable inputs (Level 3). See Note 3.
(d) The money market fund and the Fund are affiliated by having the same investment adviser. The rate shown is the 7-day SEC standardized yield as of December 31, 2018.

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

Statement of Assets and Liabilities

December 31, 2018

Assets:	
Investments in securities, at value (Cost $151,336,295)	$149,992,476
Investments in affiliated money market funds, at value and cost	421,431
Foreign currencies, at value (Cost $162,513)	158,830
Receivable for:	
Investments sold	1,074,423
Fund shares sold	11,573
Dividends	641,907
Investment for trustee deferred compensation and retirement plans	62,804
Other assets	22,383
Total assets	152,385,827
Liabilities:	
Payable for:	
Investments purchased	74,301
Amount due to custodian	77,480
Fund shares reacquired	239,591
Accrued foreign taxes	85,565
Accrued fees to affiliates	124,132
Accrued trustees' and officers' fees and benefits	4,613
Accrued other operating expenses	93,534
Trustee deferred compensation and retirement plans	71,789
Total liabilities	771,005
Net assets applicable to shares outstanding	$151,614,822
Net assets consist of:	
Shares of beneficial interest	$149,312,080
Distributable earnings	2,302,742
	$151,614,822
Net Assets:	
Series I	$124,815,983
Series II	$ 26,798,839
Shares outstanding, no par value, with an unlimited number of shares authorized:	
Series I	8,040,172
Series II	1,783,269
Series I: Net asset value per share	$ 15.52
Series II: Net asset value per share	$ 15.03

Statement of Operations

For the year ended December 31, 2018

Investment income:	
Dividends (net of foreign withholding taxes of $561,357)	$ 11,819,685
Dividends from affiliated money market funds	56,150
Total investment income	11,875,835
Expenses:	
Advisory fees	2,616,219
Administrative services fees	610,663
Custodian fees	165,734
Distribution fees — Series II	514,948
Transfer agent fees	35,584
Trustees' and officers' fees and benefits	25,426
Reports to shareholders	10,157
Professional services fees	50,646
Other	25,030
Total expenses	4,054,407
Less: Fees waived	(3,306)
Net expenses	4,051,101
Net investment income	7,824,734
Realized and unrealized gain (loss) from:	
Net realize gain (loss) from:	
Investment securities (net of foreign taxes of $94,321)	32,454,389
Foreign currencies	(197,056)
	32,257,333
Change in net unrealized appreciation (depreciation) of:	
Investment securities (net of foreign taxes of $103,177)	(62,290,882)
Foreign currencies	(27,288)
	(62,318,170)
Net realized and unrealized gain (loss)	(30,060,837)
Net increase (decrease) in net assets resulting from operations	$(22,236,103)

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

Statement of Changes in Net Assets

For the years ended December 31, 2018 and 2017

	2018	2017
Operations:		
Net investment income	$ 7,824,734	$ 9,862,959
Net realized gain	32,257,333	7,559,135
Change in net unrealized appreciation (depreciation)	(62,318,170)	29,881,018
Net increase (decrease) in net assets resulting from operations	(22,236,103)	47,303,112
Distributions to shareholders from distributable earnings[(1)]:		
Series I	(6,963,469)	(7,460,961)
Series II	(12,230,519)	(11,814,973)
Total distributions from distributable earnings	(19,193,988)	(19,275,934)
Share transactions-net:		
Series I	(17,886,490)	(502,416)
Series II	(207,381,121)	26,512,911
Net increase (decrease) in net assets resulting from share transactions	(225,267,611)	26,010,495
Net increase (decrease) in net assets	(266,697,702)	54,037,673
Net assets:		
Beginning of year	418,312,524	364,274,851
End of year	$ 151,614,822	$418,312,524

(1) For the year ended December 31, 2017, distributions to shareholders from distributable earnings consisted of distributions from net investment income and distributions from net realized gains. The Securities and Exchange Commission eliminated the requirement to disclose the distribution components separately, except for tax return of capital. For the year ended December 31, 2017, distributions from net investment income were $4,949,175 and $7,647,921 and distributions from net realized gains were $2,511,786 and $4,167,052 for Series I and Series II, respectively.

Notes to Financial Statements

December 31, 2018

NOTE 1—Significant Accounting Policies

Invesco V.I. Global Real Estate Fund (the "Fund") is a series portfolio of AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"). The Trust is a Delaware statutory trust registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end series management investment company. Information presented in these financial statements pertains only to the Fund. Matters affecting the Fund or each class will be voted on exclusively by the shareholders of the Fund or each class. Current Securities and Exchange Commission ("SEC") guidance, however, requires participating insurance companies offering separate accounts to vote shares proportionally in accordance with the instructions of the contract owners whose investments are funded by shares of each Fund or class.

The Fund's investment objective is total return through growth of capital and current income.

The Fund currently offers two classes of shares, Series I and Series II, both of which are offered to insurance company separate accounts funding variable annuity contracts and variable life insurance policies ("variable products").

The Fund is an investment company and accordingly follows the investment company accounting and reporting guidance in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 946, *Financial Services – Investment Companies*.

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

A. Security Valuations – Securities, including restricted securities, are valued according to the following policy.

A security listed or traded on an exchange (except convertible securities) is valued at its last sales price or official closing price as of the close of the customary trading session on the exchange where the security is principally traded, or lacking any sales or official closing price on a particular day, the security may be valued at the closing bid price on that day. Securities traded in the over-the-counter market are valued based on prices furnished by independent pricing services or market makers. When such securities are valued by an independent pricing service they may be considered fair valued. Futures contracts are valued at the final settlement price set by an exchange on which they are principally traded. Listed options are valued at the mean between the last bid and asked prices from the exchange on which they are principally traded. Options not listed on an exchange are valued by an independent source at the mean between the last bid and asked prices. For purposes of determining net asset value ("NAV") per share, futures and option contracts generally are valued 15 minutes after the close of the customary trading session of the New York Stock Exchange ("NYSE").

Investments in open-end and closed-end registered investment companies that do not trade on an exchange are valued at the end-of-day net asset value per share. Investments in open-end and closed-end registered investment companies that trade on an exchange are valued at the last sales price or official closing price as of the close of the customary trading session on the exchange where the security is principally traded.

Debt obligations (including convertible securities) and unlisted equities are fair valued using an evaluated quote provided by an independent pricing service. Evaluated quotes provided by the pricing service may be determined without exclusive reliance on quoted prices, and may reflect appropriate factors such as institution-size trading in similar groups of securities, developments related to specific securities, dividend rate (for unlisted equities), yield (for debt obligations), quality, type of issue, coupon rate (for debt obligations), maturity (for debt obligations), individual trading characteristics and other market data. Pricing services generally value debt obligations assuming orderly transactions of institutional round lot size, but a fund may hold or transact in the same securities in smaller, odd lot sizes. Odd lots often trade at lower prices than institutional round lots. Debt obligations are subject to interest rate and credit risks. In addition, all debt obligations involve some risk of default with respect to interest and/or principal payments.

Foreign securities' (including foreign exchange contracts) prices are converted into U.S. dollar amounts using the applicable exchange rates as of the close of the NYSE. If market quotations are available and reliable for foreign exchange-traded equity securities, the securities will be valued at the market quotations. Because trading hours for certain foreign securities end before the close of the NYSE, closing market quotations may become unreliable. If between the time trading ends on a particular security and the close of the customary trading session on the NYSE, events occur that the investment adviser determines are significant and make the closing price unreliable, the Fund may fair value the security. If the event is likely to have affected the closing price of the security, the security will be valued at fair value in good faith using procedures approved by the Board of Trustees. Adjustments to closing prices to reflect fair value may also be based on a screening process of an independent pricing service to indicate the degree of certainty, based on historical data, that the closing price in the principal market where a foreign security trades is not the current value as of the close of the NYSE. Foreign securities' prices meeting the approved degree of certainty that the price is not reflective of current value will be priced at the indication of fair value from the independent pricing service. Multiple factors may be considered by the independent pricing service in determining adjustments to reflect fair value and may include information relating to sector indices, American Depositary Receipts and domestic and foreign index futures. Foreign securities may have additional risks including exchange rate changes, potential for sharply devalued currencies and high inflation, political and economic upheaval, the relative lack of issuer information, relatively low market liquidity and the potential lack of strict financial and accounting controls and standards.

Securities for which market prices are not provided by any of the above methods may be valued based upon quotes furnished by independent sources. The last bid price may be used to value equity securities. The mean between the last bid and asked prices is used to value debt obligations, including corporate loans.

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

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

Valuations change in response to many factors including the historical and prospective earnings of the issuer, the value of the issuer's assets, general economic conditions, interest rates, investor perceptions and market liquidity. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

B. Securities Transactions and Investment Income – Securities transactions are accounted for on a trade date basis. Realized gains or losses on sales are computed on the basis of specific identification of the securities sold. Interest income (net of withholding tax, if any) is recorded on the accrual basis from settlement date. Dividend income (net of withholding tax, if any) is recorded on the ex-dividend date.

The Fund may periodically participate in litigation related to Fund investments. As such, the Fund may receive proceeds from litigation settlements. Any proceeds received are included in the Statement of Operations as realized gain (loss) for investments no longer held and as unrealized gain (loss) for investments still held.

Brokerage commissions and mark ups are considered transaction costs and are recorded as an increase to the cost basis of securities purchased and/or a reduction of proceeds on a sale of securities. Such transaction costs are included in the determination of net realized and unrealized gain (loss) from investment securities reported in the Statement of Operations and the Statement of Changes in Net Assets and the net realized and unrealized gains (losses) on securities per share in the Financial Highlights. Transaction costs are included in the calculation of the Fund's net asset value and, accordingly, they reduce the Fund's total returns. These transaction costs are not considered operating expenses and are not reflected in net investment income reported in the Statement of Operations and the Statement of Changes in Net Assets, or the net investment income per share and the ratios of expenses and net investment income reported in the Financial Highlights, nor are they limited by any expense limitation arrangements between the Fund and the investment adviser.

The Fund allocates income and realized and unrealized capital gains and losses to a class based on the relative net assets of each class.

The Fund recharacterizes distributions received from REIT investments based on information provided by the REIT into the following categories: ordinary income, long-term and short-term capital gains, and return of capital. If information is not available on a timely basis from the REIT, the recharacterization will be based on available information which may include the previous year's allocation. If new or additional information becomes available from the REIT at a later date, a recharacterization will be made in the following year. The Fund records as dividend income the amount recharacterized as ordinary income and as realized gain the amount recharacterized as capital gain in the Statement of Operations, and the amount recharacterized as return of capital as a reduction of the cost of the related investment. These recharacterizations are reflected in the accompanying financial statements.

C. Country Determination – For the purposes of making investment selection decisions and presentation in the Schedule of Investments, the investment adviser may determine the country in which an issuer is located and/or credit risk exposure based on various factors. These factors include the laws of the country under which the issuer is organized, where the issuer maintains a principal office, the country in which the issuer derives 50% or more of its total revenues and the country that has the primary market for the issuer's securities, as well as other criteria. Among the other criteria that may be evaluated for making this determination are the country in which the issuer maintains 50% or more of its assets, the type of security, financial guarantees and enhancements, the nature of the collateral and the sponsor organization. Country of issuer and/or credit risk exposure has been determined to be the United States of America, unless otherwise noted.

D. Distributions – Distributions from net investment income and net realized capital gain, if any, are generally declared and paid to separate accounts of participating insurance companies annually and recorded on the ex-dividend date.

E. Federal Income Taxes – The Fund intends to comply with the requirements of Subchapter M of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), necessary to qualify as a regulated investment company and to distribute substantially all of the Fund's taxable earnings to shareholders. As such, the Fund will not be subject to federal income taxes on otherwise taxable income (including net realized capital gain) that is distributed to shareholders. Therefore, no provision for federal income taxes is recorded in the financial statements.

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

The Fund files tax returns in the U.S. Federal jurisdiction and certain other jurisdictions. Generally, the Fund is subject to examinations by such taxing authorities for up to three years after the filing of the return for the tax period.

F. Expenses – Fees provided for under the Rule 12b-1 plan of a particular class of the Fund and which are directly attributable to that class are charged to the operations of such class. All other expenses are allocated among the classes based on relative net assets.

G. Accounting Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period including estimates and assumptions related to taxation. Actual results could differ from those estimates by a significant amount. In addition, the Fund monitors for material events or transactions that may occur or become known after the period-end date and before the date the financial statements are released to print.

H. Indemnifications – Under the Trust's organizational documents, each Trustee, officer, employee or other agent of the Trust is indemnified against certain liabilities that may arise out of the performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts, including the Fund's servicing agreements, that contain a variety of indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. The risk of material loss as a result of such indemnification claims is considered remote.

I. Foreign Currency Translations – Foreign currency is valued at the close of the NYSE based on quotations posted by banks and major currency dealers. Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the date of valuation. Purchases and sales of portfolio securities (net of foreign taxes withheld on disposition) and income items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. The Fund does not separately account for the portion of the results of operations resulting from changes in foreign exchange rates on investments and the fluctuations arising from changes in market prices of securities held. The combined results of changes in foreign exchange rates and the fluctuation of market prices on investments (net of estimated foreign tax withholding) are included with the net realized and unrealized gain or loss from investments in the Statement of Operations. Reported net realized foreign currency gains or losses arise from (1) sales of foreign currencies, (2) currency gains or losses realized between the trade and settlement dates on securities transactions, and (3) the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign currency gains and losses arise from changes in the fair values of assets and liabilities, other than investments in securities at fiscal period end, resulting from changes in exchange rates.

The Fund may invest in foreign securities, which may be subject to foreign taxes on income, gains on investments or currency repatriation, a portion of which may be recoverable. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests and are shown in the Statement of Operations.

J. Forward Foreign Currency Contracts – The Fund may engage in foreign currency transactions either on a spot (i.e. for prompt delivery and settlement) basis, or through forward foreign currency contracts, to manage or minimize currency or exchange rate risk.

The Fund may also enter into forward foreign currency contracts for the purchase or sale of a security denominated in a foreign currency in order to "lock in" the U.S. dollar price of that security, or the Fund may also enter into forward foreign currency contracts that do not provide for physical settlement of the two currencies, but instead are settled by a single cash payment calculated as the difference between the agreed upon exchange rate and the spot rate at settlement based upon an agreed upon notional amount (non-deliverable forwards). The Fund will set aside liquid assets in an amount equal to the daily mark-to-market obligation for forward foreign currency contracts.

A forward foreign currency contract is an obligation between two parties ("Counterparties") to purchase or sell a specific currency for an agreed-upon price at a future date. The use of forward foreign currency contracts does not eliminate fluctuations in the price of the underlying securities the Fund owns or intends to acquire but establishes a rate of exchange in advance. Fluctuations in the value of these contracts are measured by the difference in the contract date and reporting date exchange rates and are recorded as unrealized appreciation (depreciation) until the contracts are closed. When the contracts are closed, realized gains (losses) are recorded. Realized and unrealized gains (losses) on the contracts are included in the Statement of Operations. The primary risks associated with forward foreign currency contracts include failure of the Counterparty to meet the terms of the contract and the value of the foreign currency changing unfavorably. These risks may be in excess of the amounts reflected in the Statement of Assets and Liabilities.

K. Other Risks – The Fund's investments are concentrated in a comparatively narrow segment of the economy. Consequently, the Fund may tend to be more volatile than other mutual funds, and the value of the Fund's investments may tend to rise and fall more rapidly.

Because the Fund concentrates its assets in the real estate industry, an investment in the Fund will be closely linked to the performance of the real estate markets. Property values may fall due to increasing vacancies or declining rents resulting from economic, legal, cultural or technological developments.

NOTE 2—Advisory Fees and Other Fees Paid to Affiliates

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

Average Daily Net Assets	Rate
First $250 million	0.75%
Next $250 million	0.74%
Next $500 million	0.73%
Next $1.5 billion	0.72%
Next $2.5 billion	0.71%
Next $2.5 billion	0.70%
Next $2.5 billion	0.69%
Over $10 billion	0.68%

For the year ended December 31, 2018, the effective advisory fees incurred by the Fund was 0.75%.

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

The Adviser has contractually agreed, through at least June 30, 2019, to waive advisory fees and/or reimburse expenses of all shares to the extent necessary to limit total annual fund operating expenses after fee waiver and/or expense reimbursement (excluding certain items discussed below) of Series I shares to 2.00% and Series II shares to 2.25% of average daily net assets (the "expense limits"). In determining the Adviser's obligation to waive advisory fees and/or reimburse expenses, the following expenses are not taken into account, and could cause the total annual fund operating expenses after fee waiver and/or expense reimbursement to exceed the numbers reflected above: (1) interest; (2) taxes; (3) dividend expense on short sales; (4) extraordinary or non-routine items, including litigation expenses; and (5) expenses that the Fund has incurred but did not actually pay because of an expense offset arrangement. Unless Invesco continues the fee waiver agreement, it will terminate on June 30, 2019. During its term, the fee waiver agreement cannot be terminated or amended to increase the expense limits or reduce the advisory fee waiver without approval of the Board of Trustees. The Adviser did not waive fees and/or reimburse expenses during the period under these expense limits.

Further, the Adviser has contractually agreed, through at least June 30, 2020, to waive the advisory fee payable by the Fund in an amount equal to 100% of the net advisory fees the Adviser receives from the affiliated money market funds on investments by the Fund of uninvested cash in such affiliated money market funds.

For the year ended December 31, 2018, the Adviser waived advisory fees of $3,306.

The Trust has entered into a master administrative services agreement with Invesco pursuant to which the Fund has agreed to pay Invesco a fee for costs incurred in providing accounting services and fund administrative services to the Fund and to reimburse Invesco for fees paid to insurance companies that have agreed to provide certain administrative services to the Fund. These administrative services provided by the insurance companies may include, among other things: maintenance of master accounts with the Fund; tracking, recording and transmitting net purchase and redemption orders for Fund shares; maintaining and preserving records related to the purchase, redemption and other account activity of variable product owners; distributing copies of Fund documents such as prospectuses, proxy materials and periodic reports, to variable product owners, and responding to inquiries from variable product owners about the Fund. Pursuant to such agreement, for the year ended December 31, 2018, Invesco was paid $85,538 for accounting and fund administrative services and was reimbursed $525,125 for fees paid to insurance companies.

The Trust has entered into a transfer agency and service agreement with Invesco Investment Services, Inc. ("IIS") pursuant to which the Fund has agreed to pay IIS a fee for providing transfer agency and shareholder services to the Fund and reimburse IIS for certain expenses incurred by IIS in the course of providing such services. For the year ended December 31, 2018, expenses incurred under the agreement are shown in the Statement of Operations as *Transfer agent fees*.

The Trust has entered into a master distribution agreement with Invesco Distributors, Inc. ("IDI") to serve as the distributor for the Fund. The Trust has adopted a plan pursuant to Rule 12b-1 under the 1940 Act with respect to the Fund's Series II shares (the "Plan"). The Fund, pursuant to the Plan, pays IDI compensation at the annual rate of 0.25% of the Fund's average daily net assets of Series II shares. The fees are accrued daily and paid monthly. Of the Plan payments, up to 0.25% of the average daily net assets of the Series II shares may be paid to insurance companies who furnish continuing personal shareholder services to customers who purchase and own Series II shares of the Fund. For the year ended December 31, 2018, expenses incurred under the Plan are detailed in the Statement of Operations as *Distribution fees*.

Certain officers and trustees of the Trust are officers and directors of the Adviser, IIS and/or IDI.

NOTE 3—Additional Valuation Information

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under current market conditions. GAAP establishes a hierarchy that prioritizes the inputs to valuation methods, giving the highest priority to readily available unadjusted quoted prices in an active market for identical assets (Level 1) and the lowest priority to significant unobservable inputs (Level 3), generally when market prices are not readily available or are unreliable. Based on the valuation inputs, the securities or other investments are tiered into one of three levels. Changes in valuation methods may result in transfers in or out of an investment's assigned level:

Level 1 — Prices are determined using quoted prices in an active market for identical assets.

Level 2 — Prices are determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, yield curves, loss severities, default rates, discount rates, volatilities and others.

Level 3 — Prices are determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Fund's own assumptions about the factors market participants would use in determining fair value of the securities or instruments and would be based on the best available information.

The following is a summary of the tiered valuation input levels, as of December 31, 2018. The level assigned to the securities valuations may not be an indication of the risk or liquidity associated with investing in those securities. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

	Level 1	Level 2	Level 3	Total
Investments in Securities				
Australia	$ 6,242,386	$ –	$–	$ 6,242,386
Brazil	715,088	159,337	–	874,425
Canada	2,698,090	–	–	2,698,090
Chile	128,633	–	–	128,633
China	730,508	8,199,869	–	8,930,377
France	31,647	3,289,785	–	3,321,432
Germany	5,872,204	2,624,804	–	8,497,008
Hong Kong	400,128	10,799,744	–	11,199,872
India	304,614	102,961	–	407,575
Indonesia	298,448	103,519	–	401,967
Ireland	–	457,522	–	457,522
Japan	4,141,059	11,539,417	–	15,680,476
Malaysia	530,950	64,368	–	595,318
Malta	–	–	0	0
Mexico	612,444	–	–	612,444
Netherlands	233,755	–	–	233,755
Philippines	730,257	514,620	–	1,244,877
Singapore	–	3,522,619	–	3,522,619
South Africa	884,372	553,206	–	1,437,578
Spain	859,225	474,606	–	1,333,831
Sweden	–	2,501,515	–	2,501,515
Switzerland	–	1,048,309	–	1,048,309
Thailand	713,497	178,259	–	891,756
Turkey	–	73,855	–	73,855
United Arab Emirates	–	177,132	–	177,132
United Kingdom	2,871,669	2,911,606	–	5,783,275
United States	71,696,449	–	–	71,696,449
Money Market Funds	421,431	–	–	421,431
Total Investments	$101,116,854	$49,297,053	$–	$150,413,907

NOTE 4—Trustees' and Officers' Fees and Benefits

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

NOTE 5—Cash Balances

The Fund is permitted to temporarily carry a negative or overdrawn balance in its account with State Street Bank and Trust Company, the custodian bank. Such balances, if any at period-end, are shown in the Statement of Assets and Liabilities under the payable caption *Amount due custodian*. To compensate the custodian bank for such overdrafts, the overdrawn Fund may either (1) leave funds as a compensating balance in the account so the custodian bank can be compensated by earning the additional interest; or (2) compensate by paying the custodian bank at a rate agreed upon by the custodian bank and Invesco, not to exceed the contractually agreed upon rate.

NOTE 6—Distributions to Shareholders and Tax Components of Net Assets

Tax Character of Distributions to Shareholders Paid During the Fiscal Years Ended December 31, 2018 and 2017:

	2018	2017
Ordinary income	$14,684,055	$12,597,096
Long-term capital gain	4,509,933	6,678,838
Total distributions	$19,193,988	$19,275,934

Tax Components of Net Assets at Period-End:

	2018
Undistributed ordinary income	$ 8,007,532
Net unrealized appreciation (depreciation) — investments	(5,523,052)
Net unrealized appreciation (depreciation) — foreign currencies	(60)
Temporary book/tax differences	(66,910)
Capital loss carryforward	(114,768)
Shares of beneficial interest	149,312,080
Total net assets	$151,614,822

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

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

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

The Fund has a capital loss carryforward as of December 31, 2018 as follows.

Capital Loss Carryforward*

Expiration	Short Term	Long Term	Total
Not subject to expiration	$114,768	$–	$114,768

* Capital loss carryforward as of the date listed above is reduced for limitations, if any, to the extent required by the Internal Revenue Code and may be further limited depending upon a variety of factors, including the realization of net unrealized gains or losses as of the date of any reorganization.

On October 19, 2018, 13,189,956 of Series II shares valued at $200,883,028, were redeemed by a significant shareholder and settled through a redemption-in-kind transactions, of which $4,319,621 consisted of cash, which resulted in a realized gain of $31,693,570 to the Fund for book purposes. From a federal income tax perspective, the realized gains are not recognized.

NOTE 7—Investment Transactions

The aggregate amount of investment securities (other than short-term securities, U.S. Treasury obligations and money market funds, if any) purchased and sold by the Fund during the year ended December 31, 2018 was $192,450,998 and $232,007,600, respectively. Cost of investments, including any derivatives, on a tax basis includes the adjustments for financial reporting purposes as of the most recently completed federal income tax reporting period-end.

Unrealized Appreciation (Depreciation) of Investments on a Tax Basis

Aggregate unrealized appreciation of investments	$ 11,231,588
Aggregate unrealized (depreciation) of investments	(16,754,640)
Net unrealized appreciation (depreciation) of investments	$ (5,523,052)

Cost of investments for tax purposes is $155,936,959.

NOTE 8—Reclassification of Permanent Differences

Primarily as a result of differing book/tax treatment of redemption in kind and passive foreign investment companies, on December 31, 2018, undistributed net investment income was increased by $8,851,081, undistributed net realized gain was decreased by $30,140,549 and shares of beneficial interest was increased by $21,289,468. This reclassification had no effect on the net assets [or the distributable earnings] of the Fund.

NOTE 9—Share Information

Summary of Share Activity

	Years ended December 31,			
	2018[a]		2017	
	Shares	Amount	Shares	Amount
Sold:				
Series I	1,662,498	$ 28,085,608	1,590,286	$ 26,867,883
Series II	1,936,421	31,871,041	2,922,326	48,002,807
Issued as reinvestment of dividends:				
Series I	418,729	6,963,469	441,738	7,460,961
Series II	759,188	12,230,519	720,865	11,814,973
Reacquired:				
Series I	(3,142,606)	(52,935,567)	(2,054,075)	(34,831,260)
Series II	(16,340,645)	(251,482,681)	(2,037,490)	(33,304,869)
Net increase (decrease) in share activity	(14,706,415)	$(225,267,611)	1,583,650	$ 26,010,495

[a] There are entities that are record owners of more than 5% of the outstanding shares of the Fund and in the aggregate own 51% of the outstanding shares of the Fund. The Fund and the Fund's principal underwriter or adviser, are parties to participation agreements with these entities whereby these entities sell units of interest in separate accounts funding variable products that are invested in the Fund. The Fund, Invesco and/or Invesco affiliates may make payments to these entities, which are considered to be related to the Fund, for providing services to the Fund, Invesco and/or Invesco affiliates including but not limited to services such as, securities brokerage, third party record keeping and account servicing and administrative services. The Fund has no knowledge as to whether all or any portion of the shares owned of record by these entities are also owned beneficially.

NOTE 10—Financial Highlights

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

	Net asset value, beginning of period	Net investment income[a]	Net gains (losses) on securities (both realized and unrealized)	Total from investment operations	Dividends from net investment income	Distributions from net realized gains	Total distributions	Net asset value, end of period	Total return[b]	Net assets, end of period (000's omitted)	Ratio of expenses to average net assets with fee waivers and/or expenses absorbed	Ratio of expenses to average net assets without fee waivers and/or expenses absorbed	Ratio of net investment income to average net assets	Portfolio turnover[c]
Series I														
Year ended 12/31/18	$17.38	$0.40	$(1.41)	$(1.01)	$(0.65)	$(0.20)	$(0.85)	$15.52	(6.10)%	$124,816	1.01%[d]	1.01%[d]	2.38%[d]	57%
Year ended 12/31/17	16.15	0.45[e]	1.62	2.07	(0.56)	(0.28)	(0.84)	17.38	12.98	158,229	1.02	1.02	2.63[e]	50
Year ended 12/31/16	16.36	0.30	0.08	0.38	(0.27)	(0.32)	(0.59)	16.15	2.04	147,382	1.05	1.05	1.81	66
Year ended 12/31/15	17.24	0.31	(0.59)	(0.28)	(0.60)	–	(0.60)	16.36	(1.48)	208,796	1.11	1.11	1.79	72
Year ended 12/31/14	15.29	0.33	1.89	2.22	(0.27)	–	(0.27)	17.24	14.62	209,829	1.10	1.10	1.99	44
Series II														
Year ended 12/31/18	16.86	0.34	(1.35)	(1.01)	(0.62)	(0.20)	(0.82)	15.03	(6.33)	26,799	1.26[d]	1.26[d]	2.13[d]	57
Year ended 12/31/17	15.69	0.39[e]	1.58	1.97	(0.52)	(0.28)	(0.80)	16.86	12.73	260,083	1.27	1.27	2.38[e]	50
Year ended 12/31/16	15.91	0.25	0.08	0.33	(0.23)	(0.32)	(0.55)	15.69	1.82	216,893	1.30	1.30	1.56	66
Year ended 12/31/15	16.79	0.26	(0.58)	(0.32)	(0.56)	–	(0.56)	15.91	(1.74)	208,000	1.36	1.36	1.54	72
Year ended 12/31/14	14.90	0.28	1.84	2.12	(0.23)	–	(0.23)	16.79	14.34	200,299	1.35	1.35	1.74	44

[a] Calculated using average shares outstanding.
[b] Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Total returns are not annualized for periods less than one year, if applicable, and do not reflect charges assessed in connection with a variable product, which if included would reduce total returns.
[c] Portfolio turnover is calculated at the fund level and is not annualized for periods less than one year, if applicable.
[d] Ratios are based on average daily net assets (000's omitted) of $144,186 and $205,979 for Series I and Series II shares, respectively.
[e] Net investment income per share and the ratio of net investment income to average net assets includes significant dividends received during the period. Net investment income per share and the ratio of net investment income to average net assets excluding the significant dividends are $0.38 and 2.18%, $0.32 and 1.93% for Series I and Series II shares, respectively.

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Invesco V.I. Global Real Estate Fund (one of the funds constituting AIM Variable Insurance Funds (Invesco Variable Insurance Funds), hereafter referred to as the "Fund") as of December 31, 2018, the related statement of operations for the year ended December 31, 2018, the statement of changes in net assets for each of the two years in the period ended December 31, 2018, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2018 (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, 2018, 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, 2018 and the financial highlights for each of the five years in the period ended December 31, 2018 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, 2018 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

Houston, TX
February 14, 2019

We have served as the auditor of one or more of the investment companies in the Invesco group of investment companies since at least 1995. We have not been able to determine the specific year we began serving as auditor.

Calculating your ongoing Fund expenses

Example

As a shareholder of the Fund, you incur ongoing costs, including management fees; distribution and/or service fees (12b-1); and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with ongoing costs of investing in other mutual funds. The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period July 1, 2018 through December 31, 2018.

The actual and hypothetical expenses in the examples below do not represent the effect of any fees or other expenses assessed in connection with a variable product; if they did, the expenses shown would be higher while the ending account values shown would be lower.

Actual expenses

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

Hypothetical example for comparison purposes

The table below also provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return.

The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs. Therefore, the hypothetical information is useful in comparing ongoing costs, and will not help you determine the relative total costs of owning different funds.

		ACTUAL		HYPOTHETICAL (5% annual return before expenses)		
Class	**Beginning Account Value (07/01/18)**	**Ending Account Value (12/31/18)[1]**	**Expenses Paid During Period[2]**	**Ending Account Value (12/31/18)**	**Expenses Paid During Period[2]**	**Annualized Expense Ratio**
Series I	$1,000.00	$939.00	$4.94	$1,020.11	$5.14	1.01%
Series II	1,000.00	937.80	6.15	1,018.85	6.41	1.26

[1] The actual ending account value is based on the actual total return of the Fund for the period July 1, 2018 through December 31, 2018, after actual expenses and will differ from the hypothetical ending account value which is based on the Fund's expense ratio and a hypothetical annual return of 5% before expenses.

[2] Expenses are equal to the Fund's annualized expense ratio as indicated above multiplied by the average account value over the period, multiplied by 184/365 to reflect the most recent fiscal half year.

Tax Information

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

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

The Fund designates the following amounts or, if subsequently determined to be different, the maximum amount allowable for its fiscal year ended December 31, 2018:

Federal and State Income Tax	
Long-Term Capital Gain Distributions	$4,509,933
Corporate Dividends Received Deduction*	0.00%
U.S. Treasury Obligations*	0.00%

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

Trustees and Officers

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

Name , Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Interested Persons				
Martin L. Flanagan[1] — 1960 Trustee	2007	Executive Director, Chief Executive Officer and President, Invesco Ltd. (ultimate parent of Invesco and a global investment management firm); Trustee, The Invesco Funds; Vice Chair, Investment Company Institute; and Member of Executive Board, SMU Cox School of Business Formerly: Advisor to the Board, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.); Chairman and Chief Executive Officer, Invesco Advisers, Inc. (registered investment adviser); Director, Chairman, Chief Executive Officer and President, Invesco Holding Company (US), Inc. (formerly IVZ Inc.) (holding company), Invesco Group Services, Inc. (service provider) and Invesco North American Holdings, Inc. (holding company); Director, Chief Executive Officer and President, Invesco Holding Company Limited (parent of Invesco and a global investment management firm); Director, Invesco Ltd.; Chairman, Investment Company Institute and President, Co-Chief Executive Officer, Co-President, Chief Operating Officer and Chief Financial Officer, Franklin Resources, Inc. (global investment management organization)	158	None
Philip A. Taylor[2] — 1954 Trustee and Senior Vice President	2006	Head of the Americas and Senior Managing Director, Invesco Ltd.; Director, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Director and Chairman, Invesco Investment Services, Inc. (formerly known as Invesco AIM Investment Services, Inc.) (registered transfer agent); Chief Executive Officer, Invesco Corporate Class Inc. (corporate mutual fund company); Director, Chairman and Chief Executive Officer, Invesco Canada Ltd. (formerly known as Invesco Trimark Ltd./Invesco Trimark Ltèe) (registered investment adviser and registered transfer agent); Trustee and Senior Vice President, The Invesco Funds; Director, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management) Formerly: Director, Chairman, Chief Executive Officer and President, Invesco Management Group, Inc. (formerly known as Invesco AIM Management Group, Inc.) (financial services holding company); Co-Chairman, Co-President and Co-Chief Executive Officer, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Director, Chief Executive Officer and President, Van Kampen Exchange Corp; President and Principal Executive Officer, The Invesco Funds (other than AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust), Short-Term Investments Trust and Invesco Management Trust); Executive Vice President, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust), Short-Term Investments Trust and Invesco Management Trust only); Director and President, INVESCO Funds Group, Inc. (registered investment adviser and registered transfer agent); Director and Chairman, IVZ Distributors, Inc. (formerly known as INVESCO Distributors, Inc.) (registered broker dealer); Director, President and Chairman, Invesco Inc. (holding company), Invesco Canada Holdings Inc. (holding company), Trimark Investments Ltd./ Placements Trimark Ltèe and Invesco Financial Services Ltd/Services Financiers Invesco Ltèe; Chief Executive Officer, Invesco Canada Fund Inc. (corporate mutual fund company); Director and Chairman, Van Kampen Investor Services Inc.; Director, Chief Executive Officer and President, 1371 Preferred Inc. (holding company) and Van Kampen Investments Inc.; Director and President, AIM GP Canada Inc. (general partner for limited partnerships) and Van Kampen Advisors, Inc.; Director and Chief Executive Officer, Invesco Trimark Dealer Inc. (registered broker dealer); Director, Invesco Distributors, Inc. (formerly known as Invesco AIM Distributors, Inc.) (registered broker dealer); Manager, Invesco Capital Management LLC; Director, Chief Executive Officer and President, Invesco Advisers, Inc.; Director, Chairman, Chief Executive Officer and President, Invesco AIM Capital Management, Inc.; President, Invesco Trimark Dealer Inc. and Invesco Trimark Ltd./Invesco Trimark Ltèe; Director and President, AIM Trimark Corporate Class Inc. and AIM Trimark Canada Fund Inc.; Senior Managing Director, Invesco Holding Company Limited; Director and Chairman, Fund Management Company (former registered broker dealer); President and Principal Executive Officer, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust), and Short-Term Investments Trust only); President, AIM Trimark Global Fund Inc. and AIM Trimark Canada Fund Inc.	158	None

[1] Mr. Flanagan is considered an interested person (within the meaning of Section 2(a)(19) of the 1940 Act) of the Trust because he is an officer of the Adviser to the Trust, and an officer and a director of Invesco Ltd., ultimate parent of the Adviser.

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

Trustees and Officers–(continued)

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Independent Trustees				
Bruce L. Crockett – 1944 Trustee and Chair	1993	Chairman, Crockett Technologies Associates (technology consulting company) Formerly: Director, Captaris (unified messaging provider); Director, President and Chief Executive Officer, COMSAT Corporation; Chairman, Board of Governors of INTELSAT (international communications company); ACE Limited (insurance company); Independent Directors Council and Investment Company Institute: Member of the Audit Committee, Investment Company Institute; Member of the Executive Committee and Chair of the Governance Committee, Independent Directors Council	158	Director and Chairman of the Audit Committee, ALPS (Attorneys Liability Protection Society) (insurance company); Director and Member of the Audit Committee and Compensation Committee, Ferroglobe PLC (metallurgical company)
David C. Arch – 1945 Trustee	2010	Chairman of Blistex Inc. (consumer health care products manufacturer); Member, World Presidents' Organization	158	Board member of the Illinois Manufacturers' Association
Jack M. Fields – 1952 Trustee	1997	Chief Executive Officer, Twenty First Century Group, Inc. (government affairs company); and Chairman, Discovery Learning Alliance (non-profit) Formerly: Owner and Chief Executive Officer, Dos Angeles Ranch L.P. (cattle, hunting, corporate entertainment); Director, Insperity, Inc. (formerly known as Administaff) (human resources provider); Chief Executive Officer, Texana Timber LP (sustainable forestry company); Director of Cross Timbers Quail Research Ranch (non-profit); and member of the U.S. House of Representatives	158	None
Cynthia Hostetler – 1962 Trustee	2017	Non-Executive Director and Trustee of a number of public and private business corporations Formerly: Director, Aberdeen Investment Funds (4 portfolios); Head of Investment Funds and Private Equity, Overseas Private Investment Corporation; President, First Manhattan Bancorporation, Inc.; Attorney, Simpson Thacher & Bartlett LLP	158	Vulcan Materials Company (construction materials company); Trilinc Global Impact Fund; Genesse Wyoming, Inc. (railroads); Artio Global Investment LLC (mutual fund complex); Edgen Group, Inc. (specialized energy and infrastructure products distributor); Investment Company Institute (professional organization); Independent Directors Council (professional organization)
Eli Jones – 1961 Trustee	2016	Professor and Dean, Mays Business School – Texas A&M University Formerly: Professor and Dean, Walton College of Business, University of Arkansas and E.J. Ourso College of Business, Louisiana State University; Director, Arvest Bank	158	Insperity, Inc. (formerly known as Administaff) (human resources provider)
Prema Mathai-Davis – 1950 Trustee	1998	Retired Co-Owner & Partner of Quantalytics Research, LLC, (a FinTech Investment Research Platform for the Self-Directed Investor)	158	None
Teresa M. Ressel – 1962 Trustee	2017	Non-executive director and trustee of a number of public and private business corporations Formerly: Chief Financial Officer, Olayan America, The Olayan Group (international investor/commercial/industrial); Chief Executive Officer, UBS Securities LLC; Group Chief Operating Officer, Americas, UBS AG; Assistant Secretary for Management & Budget and CFO, US Department of the Treasury	158	Atlantic Power Corporation (power generation company); ON Semiconductor Corp. (semiconductor supplier)
Ann Barnett Stern – 1957 Trustee	2017	President and Chief Executive Officer, Houston Endowment Inc. (private philanthropic institution) Formerly: Executive Vice President and General Counsel, Texas Children's Hospital; Attorney, Beck, Redden and Secrest, LLP; Business Law Instructor, University of St. Thomas; Attorney, Andrews & Kurth LLP	158	Federal Reserve Bank of Dallas
Raymond Stickel, Jr. – 1944 Trustee	2005	Retired Formerly: Director, Mainstay VP Series Funds, Inc. (25 portfolios); Partner, Deloitte & Touche	158	None
Robert C. Troccoli – 1949 Trustee	2016	Adjunct Professor, University of Denver – Daniels College of Business Formerly: Senior Partner, KPMG LLP	158	None
Christopher L. Wilson – 1957 Trustee	2017	Non-executive director and trustee of a number of public and private business corporations Formerly: Director, TD Asset Management USA Inc. (mutual fund complex) (22 portfolios); Managing Partner, CT2, LLC (investing and consulting firm); President/Chief Executive Officer, Columbia Funds, Bank of America Corporation; President/Chief Executive Officer, CDC IXIS Asset Management Services, Inc.; Principal & Director of Operations, Scudder Funds, Scudder, Stevens & Clark, Inc.; Assistant Vice President, Fidelity Investments	158	ISO New England, Inc. (non-profit organization managing regional electricity market)

Trustees and Officers–(continued)

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Other Officers				
Sheri Morris – 1964 President, Principal Executive Officer and Treasurer	1999	President, Principal Executive Officer and Treasurer, The Invesco Funds; Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); and Vice President, Invesco Exchange-Traded Fund Trust, Invesco Exchange-Traded Fund Trust II, Invesco India Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Commodity Fund Trust and Invesco Exchange-Traded Self-Indexed Fund Trust Formerly: Vice President and Principal Financial Officer, The Invesco Funds; Vice President, Invesco AIM Advisers, Inc., Invesco AIM Capital Management, Inc. and Invesco AIM Private Asset Management, Inc.; Assistant Vice President and Assistant Treasurer, The Invesco Funds and Assistant Vice President, Invesco Advisers, Inc., Invesco AIM Capital Management, Inc. and Invesco AIM Private Asset Management, Inc.; and Treasurer, Invesco Exchange-Traded Fund Trust, Invesco Exchange-Traded Fund Trust II, Invesco India Exchange-Traded Fund Trust and Invesco Actively Managed Exchange-Traded Fund Trust	N/A	N/A
Russell C. Burk – 1958 Senior Vice President and Senior Officer	2005	Senior Vice President and Senior Officer, The Invesco Funds	N/A	N/A
Jeffrey H. Kupor – 1968 Senior Vice President, Chief Legal Officer and Secretary	2018	Head of Legal of the Americas; Senior Vice President and Secretary, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Senior Vice President and Secretary, Invesco Distributors, Inc. (formerly known as Invesco AIM Distributors, Inc.); Vice President and Secretary, Invesco Investment Services, Inc. (formerly known as Invesco AIM Investment Services, Inc.) Senior Vice President, Chief Legal Officer and Secretary, The Invesco Funds; Secretary and General Counsel, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management); Secretary and General Counsel, Invesco Capital Markets, Inc. (formerly known as Van Kampen Funds Inc.) and Chief Legal Officer, Invesco Exchange-Traded Fund Trust, Invesco Exchange-Traded Fund Trust II, Invesco India Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Commodity Fund Trust and Invesco Exchange-Traded Self-Indexed Fund Trust; Secretary, Invesco Indexing LLC; Secretary, W.L. Ross & Co., LLC; Secretary and Vice President, Jemstep, Inc. Formerly: Head of Legal, Worldwide Institutional; Secretary and General Counsel, INVESCO Private Capital Investments, Inc.; Senior Vice President, Secretary and General Counsel, Invesco Management Group, Inc. (formerly known as Invesco AIM Management Group, Inc.); Assistant Secretary, INVESCO Asset Management (Bermuda) Ltd.; Secretary and General Counsel, Invesco Private Capital, Inc.; Assistant Secretary and General Counsel, INVESCO Realty, Inc.; Secretary and General Counsel, Invesco Senior Secured Management, Inc.; and Secretary, Sovereign G./P. Holdings Inc.	N/A	N/A
John M. Zerr – 1962 Senior Vice President	2006	Chief Operating Officer of the Americas; Senior Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Senior Vice President, Invesco Distributors, Inc. (formerly known as Invesco AIM Distributors, Inc.); Director and Vice President, Invesco Investment Services, Inc. (formerly known as Invesco AIM Investment Services, Inc.) Senior Vice President, The Invesco Funds; Managing Director, Invesco Capital Management LLC; Director, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management); Senior Vice President, Invesco Capital Markets, Inc. (formerly known as Van Kampen Funds Inc.); Manager, Invesco Indexing LLC Formerly: Director and Senior Vice President, Invesco Management Group, Inc. (formerly known as Invesco AIM Management Group, Inc.); Secretary and General Counsel, Invesco Management Group, Inc. (formerly known as Invesco AIM Management Group, Inc.); Secretary, Invesco Investment Services, Inc. (formerly known as Invesco AIM Investment Services, Inc.); Chief Legal Officer and Secretary, The Invesco Funds; Secretary and General Counsel, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management); Secretary and General Counsel, Invesco Capital Markets, Inc. (formerly known as Van Kampen Funds Inc.); Chief Legal Officer, Invesco Exchange-Traded Fund Trust, Invesco Exchange-Traded Fund Trust II, Invesco India Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Commodity Fund Trust and Invesco Exchange-Traded Self-Indexed Fund Trust; Secretary, Invesco Indexing LLC; Director, Secretary, General Counsel and Senior Vice President, Van Kampen Exchange Corp.; Director, Vice President and Secretary, IVZ Distributors, Inc. (formerly known as INVESCO Distributors, Inc.); Director and Vice President, INVESCO Funds Group, Inc.; Director and Vice President, Van Kampen Advisors Inc.; Director, Vice President, Secretary and General Counsel, Van Kampen Investor Services Inc.; Director and Secretary, Invesco Distributors, Inc. (formerly known as Invesco AIM Distributors, Inc.); Director, Senior Vice President, General Counsel and Secretary, Invesco AIM Advisers, Inc. and Van Kampen Investments Inc.; Director, Vice President and Secretary, Fund Management Company; Director, Senior Vice President, Secretary, General Counsel and Vice President, Invesco AIM Capital Management, Inc.; Chief Operating Officer and General Counsel, Liberty Ridge Capital, Inc. (an investment adviser)	N/A	N/A

Trustees and Officers–(continued)

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Other Officers—(continued)				
Gregory G. McGreevey – 1962 Senior Vice President	2012	Senior Managing Director, Invesco Ltd.; Director, Chairman, President, and Chief Executive Officer, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Director, Invesco Mortgage Capital, Inc. and Invesco Senior Secured Management, Inc.; and Senior Vice President, The Invesco Funds Formerly: Senior Vice President, Invesco Management Group, Inc. and Invesco Advisers, Inc.; Assistant Vice President, The Invesco Funds	N/A	N/A
Kelli Gallegos – 1970 Vice President, Principal Financial Officer and Assistant Treasurer	2008	Vice President and Treasurer, Invesco Exchange-Traded Fund Trust, Invesco Exchange-Traded Fund Trust II, Invesco India Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Commodity Fund Trust and Invesco Exchange-Traded Self-Indexed Fund Trust; Vice President, Principal Financial Officer and Assistant Treasurer, The Invesco Funds; Principal Financial and Accounting Officer – Pooled Investments, Invesco Capital Management LLC Formerly: Assistant Treasurer, Invesco Exchange-Traded Fund Trust, Invesco Exchange-Traded Fund Trust II, Invesco India Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Commodity Fund Trust and Invesco Exchange-Traded Self-Indexed Fund Trust; Assistant Treasurer, Invesco Capital Management LLC; Assistant Vice President, The Invesco Funds	N/A	N/A
Tracy Sullivan – 1962 Vice President, Chief Tax Officer and Assistant Treasurer	2008	Vice President, Chief Tax Officer and Assistant Treasurer, The Invesco Funds; Assistant Treasurer, Invesco Capital Management LLC, Invesco Exchange-Traded Fund Trust, Invesco Exchange-Traded Fund Trust II, Invesco India Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Commodity Fund Trust and Invesco Exchange-Traded Self-Indexed Fund Trust Formerly: Assistant Vice President, The Invesco Funds	N/A	N/A
Crissie M. Wisdom – 1969 Anti-Money Laundering Compliance Officer	2013	Anti-Money Laundering Compliance Officer, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser), Invesco Capital Markets, Inc. (formerly known as Van Kampen Funds Inc.), Invesco Distributors, Inc., Invesco Investment Services, Inc., The Invesco Funds, and Invesco Exchange-Traded Fund Trust, Invesco Exchange-Traded Fund Trust II, Invesco India Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Commodity Fund Trust and Invesco Exchange-Traded Self-Indexed Fund Trust; Anti-Money Laundering Compliance Officer and Bank Secrecy Act Officer, INVESCO National Trust Company and Invesco Trust Company; and Fraud Prevention Manager and Controls and Risk Analysis Manager for Invesco Investment Services, Inc. Formerly: Anti-Money Laundering Compliance Officer, Van Kampen Exchange Corp. and Invesco Management Group, Inc.	N/A	N/A
Robert R. Leveille – 1969 Chief Compliance Officer	2016	Chief Compliance Officer, Invesco Advisers, Inc. (registered investment adviser); and Chief Compliance Officer, The Invesco Funds Formerly: Chief Compliance Officer, Putnam Investments and the Putnam Funds	N/A	N/A

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

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

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

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

Auditors
PricewaterhouseCoopers LLP
1000 Louisiana Street, Suite 5800
Houston, TX 77002-5021

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

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

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

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

Annual Report to Shareholders December 31, 2018

Invesco V.I. Government Securities Fund

The Fund provides a complete list of its holdings four times in each fiscal year, at the quarter-ends. For the second and fourth quarters, the lists appear in the Fund's semi-annual and annual reports to shareholders. For the first and third quarters, the Fund files the lists with the Securities and Exchange Commission (SEC) on Form N-Q (or any successor Form). The Fund's Form N-Q (or any successor Form) filings are available on the SEC website, sec.gov. The SEC file numbers for the Fund are 811-07452 and 033-57340. The Fund's most recent portfolio holdings, as filed on Form N-Q (or any successor Form), have also been made available to insurance companies issuing variable annuity contracts and variable life insurance policies ("variable products") that invest in the Fund.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge, upon request, from our Client Services department at 800 959 4246 or at invesco.com/proxyguidelines. The information is also available on the SEC website, sec.gov.

Information regarding how the Fund voted proxies related to its portfolio securities during the most recent 12-month period ended June 30 is available at invesco.com/proxysearch. The information is also available on the SEC website, sec.gov.

Invesco Advisers, Inc. is an investment adviser; it provides investment advisory services to individual and institutional clients and does not sell securities. Invesco Distributors, Inc. is the US distributor for Invesco Ltd.'s retail mutual funds, exchange-traded funds and institutional money market funds. Both are wholly owned, indirect subsidiaries of Invesco Ltd.

This report must be accompanied or preceded by a currently effective Fund prospectus and variable product prospectus, which contain more complete information, including sales charges and expenses. Investors should read each carefully before investing.

Invesco Distributors, Inc. VIGOV-AR-1 02152019 1153

Management's Discussion of Fund Performance

Performance summary

For the year ended December 31, 2018, Series I shares of Invesco V.I. Government Securities Fund (the Fund) underperformed the Fund's style-specific index, the Bloomberg Barclays U.S. Government Index.

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

Fund vs. Indexes

Total returns, 12/31/17 to 12/31/18, excluding variable product issuer charges. If variable product issuer charges were included, returns would be lower.

Series I Shares	0.56%
Series II Shares	0.29
Bloomberg Barclays U.S. Aggregate Bond Index▼ (Broad Market Index)	0.01
Bloomberg Barclays U.S. Government Index▼ (Style-Specific Index)	0.88
Lipper VUF General U.S. Government Funds Index■ (Peer Group Index)	0.60

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

Market conditions and your Fund

Calendar year 2018 proved to be an increasingly volatile time for the US bond market. The year began with a surge in both interest rates and volatility, which was driven in part by fears of a material pickup in inflation in addition to a significant increase in Treasury supply. Interest rates continued to climb as the year progressed against a backdrop of vibrant US economic growth, low unemployment, strong consumer confidence, equity markets near record highs and inflation expectations maintaining at a moderate pace. However, by October volatility returned fueled by a deceleration in global gross domestic product growth, ongoing trade disputes, rising geopolitical uncertainties and volatile equity market returns. Despite market uncertainties, US growth remained strong, but macroeconomic indicators pointed to a slowdown in 2019.

Given signs of a strong economy, the US Federal Reserve (the Fed) raised interest rates four times during the year: in March, June, September and December 2018. Following December's Federal Reserve meeting, Chairman Jerome Powell raised interest rates for the fourth time in 2018 by 25 basis points to a targeted range of 2.25% to 2.50%, and lowered guidance from three to two rate hikes in 2019, signaling a slightly more dovish stance than expected.[1] In contrast, the European Central Bank and central banks in several other countries maintained extraordinarily accommodative monetary policies.

The yield curve flattened during 2018 as the two-year US Treasury yield rose 59 basis points, while the 30-year US Treasury yield rose 26 basis points.[2] (A basis point is 0.01%.) The 10-year US Treasury yield ended the year at 2.69%, 29 basis points higher than where it began the year.[2]

Given this market backdrop, the Fund's total return for the year was positive, but the Fund underperformed its style-specific benchmark, the Bloomberg Barclays U.S. Government Index.

Most of the Fund's performance relative to the style-specific benchmark in 2018 was driven by the Fund's out-of-index exposure to structured securities. These securities included agency pass-through mortgage-backed securities, high-quality residential mortgage -backed securities and commercial mortgage-backed securities. The Fund's duration underweight relative to its style-specific benchmark also proved to be beneficial to the Fund's return as interest rates rose during the year. Out-of-index exposure to agency collateralized mortgage obligations was the largest detractor from the Fund's performance for the year. The Fund's use of derivatives during the year included interest rate futures to manage yield curve exposure and swaptions to hedge interest rate volatility.

The Fund utilizes duration and yield curve positioning for risk management and for generating returns. Duration measures a portfolio's price sensitivity to interest rate changes, with a shorter duration tending to be less sensitive to these changes. Yield curve positioning refers to actively emphasizing points (maturities) along the yield curve with favorable risk-return expectations. During the year, duration was managed with cash, bonds and futures positions. Buying and selling interest rate futures contracts was an important tool we used to manage interest rate risk. The Fund also used swaptions to hedge interest rate volatility during the year.

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

Portfolio Composition

By security type	*% of total net investments*
U.S. Treasury Securities	47.8%
U.S. Government Sponsored Agency Mortgage-Backed Securities	40.0
Non-U.S. Government Sponsored Agency Securities	12.1
U.S. Government Sponsored Agency Securities	1.7
Put Options Purchased	0.0
Money Market Funds Plus Other Assets Less Liabilities	-1.6

Top Five Debt Issuers*

	% of total net assets
1. U.S. Treasury	40.9%
2. Federal National Mortgage Association	10.4
3. Federal Home Loan Mortgage Corp.	8.3
4. Fannie Mae REMICs	6.9
5. Freddie Mac REMICs	5.9

Total Net Assets	$471.2 million
Total Number of Holdings*	600

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

*Excluding money market fund holdings.

Data presented here are as of December 31, 2018.

be less liquid than traditional securities.

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

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

1 Source: US Federal Reserve
2 Source: US Department of the Treasury

The views and opinions expressed in management's discussion of Fund performance are those of Invesco Advisers, Inc. These views and opinions are subject to change at any time based on factors such as market and economic conditions. These views and opinions may not be relied upon as investment advice or recommendations, or as an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but Invesco Advisers, Inc. makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

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

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

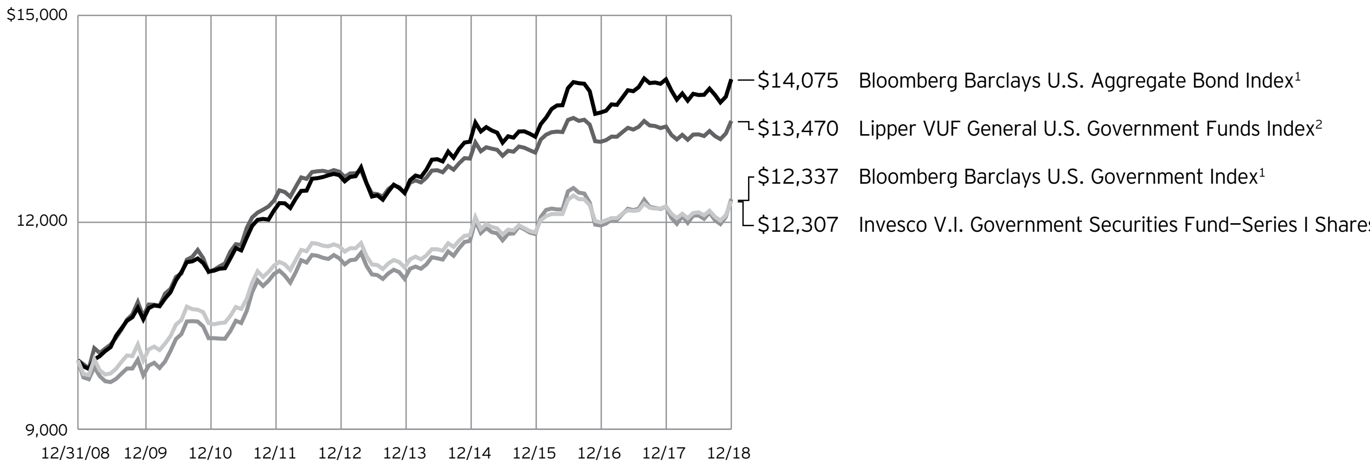
Brian Schneider
Chartered Financial Analyst, Portfolio Manager, is manager of Invesco V.I. Government Securities Fund. He joined Invesco in 1987. Mr. Schneider earned a BA in economics and an MBA from Bellarmine University (formerly Bellarmine College).

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

Your Fund's Long-Term Performance

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

Fund and index data from 12/31/08



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

Past performance cannot guarantee comparable future results.

Average Annual Total Returns *As of 12/31/18*	
Series I Shares	
Inception (5/5/93)	4.08%
10 Years	2.10
5 Years	1.64
1 Year	0.56
Series II Shares	
Inception (9/19/01)	3.07%
10 Years	1.84
5 Years	1.38
1 Year	0.29

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

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

The total annual Fund operating expense ratio set forth in the most recent Fund prospectus as of the date of this report for Series I and Series II shares was 0.70% and 0.95%, respectively. The expense ratios presented above may vary from the expense ratios presented in other sections of this report that are based on expenses incurred during the period covered by this report.

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

The most recent month-end performance at the Fund level, excluding variable product charges, is available at 800 451 4246. As mentioned above, for the most recent month-end performance including variable product charges, please contact your variable product issuer or financial adviser.

Fund performance reflects any applicable fee waivers and/or expense reimbursements. Had the adviser not waived fees and/or reimbursed expenses currently or in the past, returns would have been lower. See current prospectus for more information.

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

■ Unless otherwise stated, information presented in this report is as of December 31, 2018, and is based on total net assets.

■ Unless otherwise noted, all data provided by Invesco.

Principal risks of investing in the Fund

Changing fixed income market conditions risk. The current low interest rate environment was created in part by the Federal Reserve Board (FRB) and certain foreign central banks keeping the federal funds and equivalent foreign rates near, at or below zero. Increases in the federal funds and equivalent foreign rates may expose fixed income markets to heightened volatility and reduced liquidity for certain fixed income investments, particularly those with longer maturities. In addition, decreases in fixed income dealer market-making capacity may also potentially lead to heightened volatility and reduced liquidity in the fixed income markets. As a result, the value of the Fund's investments and share price may decline. Changes in central bank policies could also result in higher than normal shareholder redemptions, which could potentially increase portfolio turnover and the Fund's transaction costs.

Collateralized loan obligations risk. CLOs are subject to the risks of substantial losses due to actual defaults by underlying borrowers, which will be greater during periods of economic or financial stress. CLOs may also lose value due to collateral defaults and disappearance of subordinate tranches, market anticipation of defaults, and investor aversion to CLO securities as a class. The risks of CLOs will be greater if the Fund invests in CLOs that hold loans of uncreditworthy borrowers or if the Fund holds subordinate tranches of the CLO that absorbs losses from the defaults before senior tranches. In addition, CLOs are subject to interest rate risk and credit risk.

Debt securities risk. The prices of debt securities held by the Fund will be affected by changes in interest rates, the creditworthiness of the issuer and other factors. An increase in prevailing interest rates typically causes the value of existing debt securities to fall and often has a greater impact on longer-duration debt securities and higher quality debt securities. Falling interest rates will cause the Fund to reinvest the proceeds of debt securities that have been repaid by the issuer at lower interest rates. Falling interest rates may also reduce the Fund's distributable income because interest payments on floating rate debt instruments held by the Fund will decline. The Fund could lose money on investments in debt securities if the issuer or borrower fails to meet its obligations to make interest payments and/or to repay principal in a timely manner. Changes in an issuer's financial strength, the market's perception of such strength or in the credit rating of the issuer or the security may affect the value of debt securities. The Adviser's credit analysis may fail to anticipate such changes, which could result in buying a debt security at an inopportune time or failing to sell a debt security in advance of a price decline or other credit event.

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

Management risk. The Fund is actively managed and depends heavily on the Adviser's judgment about markets, interest rates or the attractiveness, relative values, liquidity, or potential appreciation of particular investments made for the Fund's portfolio. The Fund could experience losses if these judgments prove to be incorrect. Additionally, legislative, regulatory, or tax developments may adversely affect management of the Fund and, therefore, the ability of the Fund to achieve its investment objective.

Market risk. The market values of the Fund's investments, and therefore the value of the Fund's shares, will go up and down, sometimes rapidly or unpredictably. Market risk may affect a single issuer, industry or section of the economy, or it may affect the market as a whole. Individual stock prices tend to go up and down more dramatically than those of certain other types of investments, such as bonds. During a general downturn in the financial markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that specific investments held by the Fund will rise in value.

Mortgage- and asset-backed securities risk. Mortgage- and asset-backed securities, including collateralized debt obligations and collateralized mortgage obligations, are subject to prepayment or call risk, which is the risk that a borrower's payments may be received earlier or later than expected due to changes in prepayment rates on underlying loans. This could result in the Fund reinvesting these early payments at lower interest rates, thereby reducing the Fund's income. Mortgage- and asset-backed securities also are subject to extension risk, which is the risk that an unexpected rise in interest rates could reduce the rate of prepayments, causing the price of the mortgage- and asset-backed securities and the Fund's share price to fall. An unexpectedly high rate of defaults on the mortgages held by a mortgage pool may adversely affect the value of mortgage-backed securities and could result in losses to the Fund. The Fund may invest in mortgage pools that include subprime mortgages, which are loans made to borrowers with weakened credit histories or with lower capacity to make timely payments on their mortgages. Privately issued mortgage-related securities are not subject to the same underwriting requirements as those with government or government-sponsored entity guarantees and, therefore, mortgage loans underlying privately issued mortgage-related securities may have less favorable collateral, credit risk or other underwriting characteristics, and wider variances in interest rate, term, size, purpose and borrower characteristics.

TBA transactions risk. TBA transactions involve the risk of loss if the securities received are less favorable than what was anticipated by the Fund when entering into the TBA transaction, or if the counterparty fails to deliver the securities. When the Fund enters into a short sale of a TBA mortgage it does not own, the Fund may have to purchase deliverable mortgages to settle the short sale at a higher price than anticipated, thereby causing a loss. As there is no limit on how much the price of mortgage securities can increase, the Fund's exposure is unlimited. The Fund may not always be able to purchase mortgage securities to close out the short position at a particular time or at an acceptable price. In addition, taking short positions results in a form of leverage, which could increase the volatility of the Fund's share price.

US government obligations risk. Obligations of US government agencies and authorities receive varying levels of support and may not be backed by the full faith and credit of the US government, which could affect the Fund's ability to recover should they default. No assurance can be given that the US government will provide financial support to its agencies and authorities if it is not obligated by law to do so.

When-issued, delayed delivery and forward commitment risks. When-issued and delayed delivery transactions subject the Fund to market risk because the value or yield of a security at delivery may be more or less than the purchase price or yield generally available when delivery occurs, and counterparty risk because the Fund relies on the buyer or seller, as the case may be, to consummate the transaction. These transactions also have a leveraging effect on the Fund because the Fund commits to purchase securities that it does not have to pay for until a later date, which increases the Fund's overall investment exposure and, as a result, its volatility.

Zero coupon or pay-in-kind securities risk. The value, interest rates, and liquidity of non-cash paying instruments, such as zero coupon and pay-in-kind securities, are subject to greater fluctuation than other types of securities. The higher yields and interest rates on pay-in-kind securities reflect the payment deferral and increased credit risk associated with such instruments and that such investments may represent a higher credit risk than loans that periodically pay interest.

About indexes used in this report

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

The **Bloomberg Barclays U.S. Government Index** is an unmanaged index considered representative of fixed income obligations issued by the US Treasury, government agencies and quasi-federal corporations.

The **Lipper VUF General U.S. Government Funds Index** is an unmanaged index considered representative of general US government variable insurance underlying funds tracked by Lipper.

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

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

Other information

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

Schedule of Investments

December 31, 2018

	Principal Amount	Value
U.S. Treasury Securities-47.76%		
U.S. Treasury Bills-0.28%		
0.71%-1.56%, 01/24/2019[(a)(b)]	$ 1,335,000	$ 1,333,024
U.S. Treasury Notes-34.73%		
0.75%, 07/15/2019	8,100,000	8,022,905
1.63%, 07/31/2019	2,700,000	2,685,704
1.75%, 09/30/2019	2,500,000	2,483,971
3.38%, 11/15/2019	625,000	628,813
1.75%, 11/30/2019	3,000,000	2,976,712
1.50%, 04/15/2020	2,000,000	1,973,527
2.50%, 05/31/2020	2,000,000	1,998,350
2.00%, 09/30/2020	2,500,000	2,478,117
2.75%, 09/30/2020	11,500,000	11,543,523
1.75%, 12/31/2020	2,500,000	2,464,370
2.50%, 12/31/2020	5,900,000	5,899,217
2.00%, 01/15/2021	9,250,000	9,156,860
1.38%, 01/31/2021	3,000,000	2,931,255
2.63%, 05/15/2021	2,000,000	2,006,539
3.13%, 05/15/2021	2,100,000	2,131,473
2.13%, 08/15/2021	2,700,000	2,675,780
2.00%, 10/31/2021	2,500,000	2,468,265
2.00%, 11/15/2021	3,300,000	3,258,141
2.00%, 12/31/2021	3,000,000	2,959,576
1.75%, 05/15/2022	4,000,000	3,907,222
2.13%, 06/30/2022	3,000,000	2,965,076
2.00%, 07/31/2022	2,000,000	1,967,552
1.63%, 08/31/2022	5,000,000	4,851,243
1.63%, 11/15/2022	2,000,000	1,936,826
2.00%, 11/30/2022	2,700,000	2,651,575
2.13%, 12/31/2022	12,000,000	11,834,340
2.38%, 01/31/2023	2,000,000	1,991,288
1.63%, 04/30/2023	4,000,000	3,858,254
1.63%, 05/31/2023	1,400,000	1,349,145
2.75%, 05/31/2023	13,500,000	13,649,547
1.63%, 10/31/2023	625,000	600,007
2.13%, 11/30/2023	5,500,000	5,401,702
2.13%, 03/31/2024	4,000,000	3,921,984
2.13%, 07/31/2024	3,000,000	2,935,622
2.25%, 11/15/2024	5,000,000	4,915,830
2.88%, 05/31/2025	4,000,000	4,070,964
2.88%, 11/30/2025	2,500,000	2,546,482
1.50%, 08/15/2026	8,750,000	8,077,586
2.38%, 05/15/2027	1,000,000	980,091
2.25%, 11/15/2027	4,000,000	3,868,037
2.88%, 05/15/2028	2,000,000	2,032,594
3.13%, 11/15/2028	2,500,000	2,595,326
		163,651,391
U.S. Treasury Bonds-12.75%		
8.75%, 05/15/2020	$ 1,200,000	$ 1,299,146
7.88%, 02/15/2021	1,100,000	1,221,475
5.38%, 02/15/2031	3,800,000	4,831,784
3.38%, 05/15/2044	6,000,000	6,403,623
3.00%, 05/15/2045	7,000,000	7,001,455
2.88%, 08/15/2045	750,000	732,057
3.00%, 11/15/2045	3,000,000	3,000,204
2.50%, 05/15/2046	6,000,000	5,423,109
2.25%, 08/15/2046	6,550,000	5,610,631
3.00%, 05/15/2047	7,300,000	7,283,823
2.75%, 08/15/2047	10,000,000	9,490,862
2.75%, 11/15/2047	5,500,000	5,215,407
3.13%, 05/15/2048	2,500,000	2,552,587
		60,066,163
Total U.S. Treasury Securities (Cost $227,699,675)		225,050,578
U.S. Government Sponsored Agency Mortgage-Backed Securities-40.00%		
Collateralized Mortgage Obligations-16.25%		
Fannie Mae ACES, 2.89% (1 mo. USD LIBOR + 0.59%), 09/25/2023[(c)]	1,794,659	1,799,122
Fannie Mae REMICs, 5.00%, 08/25/2019	13,812	13,815
3.00%, 10/25/2025	177,679	177,338
2.50%, 03/25/2026	214,474	214,029
7.00%, 09/18/2027	217,118	236,380
1.50%, 01/25/2028	3,800,676	3,655,934
6.50%, 03/25/2032	640,080	710,231
5.75%, 10/25/2035	256,258	275,510
4.25%, 02/25/2037	441,051	446,039
2.81% (1 mo. USD LIBOR + 0.30%), 05/25/2036[(c)]	2,223,041	2,224,119
2.96% (1 mo. USD LIBOR + 0.45%), 03/25/2037[(c)]	998,030	1,003,747
2.91% (1 mo. USD LIBOR + 0.40%), 06/25/2038[(c)]	1,905,915	1,909,597
6.59%, 06/25/2039[(d)]	2,772,012	3,110,228
4.00%, 02/25/2040 to 07/25/2040	1,958,410	2,029,858
3.01% (1 mo. USD LIBOR + 0.50%), 03/25/2040 to 05/25/2041[(c)]	2,631,023	2,639,110
3.06% (1 mo. USD LIBOR + 0.55%), 02/25/2041[(c)]	2,202,053	2,209,411
3.03% (1 mo. USD LIBOR + 0.52%), 11/25/2041[(c)]	1,108,741	1,115,773
2.62% (1 mo. USD LIBOR + 0.32%), 08/25/2044[(c)]	2,123,364	2,117,963
2.78% (1 mo. USD LIBOR + 0.48%), 02/25/2056[(c)]	4,139,817	4,144,686
2.72% (1 mo. USD LIBOR + 0.42%), 12/25/2056[(c)]	4,202,447	4,197,676

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

	Principal Amount	Value
Collateralized Mortgage Obligations–(continued)		
Freddie Mac REMICs, 3.00%, 04/15/2026	$ 259,861	$ 258,720
2.96% (1 mo. USD LIBOR + 0.50%), 12/15/2035 to 03/15/2040(c)	3,811,918	3,835,532
2.76% (1 mo. USD LIBOR + 0.30%), 03/15/2036 to 09/15/2044(c)	9,912,720	9,888,523
2.70% (1 mo. USD LIBOR + 0.35%), 11/15/2036(c)	3,028,362	3,025,160
2.83% (1 mo. USD LIBOR + 0.37%), 03/15/2037(c)	1,124,329	1,127,578
2.86% (1 mo. USD LIBOR + 0.40%), 05/15/2037 to 06/15/2037(c)	2,304,289	2,312,885
3.32% (1 mo. USD LIBOR + 0.86%), 11/15/2039(c)	582,523	595,372
2.91% (1 mo. USD LIBOR + 0.45%), 03/15/2040 to 02/15/2042(c)	6,561,778	6,580,038
Freddie Mac STRIPS, 2.70% (1 mo. USD LIBOR + 0.35%), 10/15/2037(c)	2,398,497	2,404,881
Freddie Mac Whole Loan Securities Trust, 3.50%, 05/25/2047	1,866,598	1,863,250
Ginnie Mae REMICs, 6.00%, 01/16/2025	224,583	234,293
5.72%, 08/20/2034(d)	1,004,677	1,094,214
5.88%, 01/20/2039(d)	3,480,032	3,802,749
3.26% (1 mo. USD LIBOR + 0.80%), 09/16/2039(c)	1,091,281	1,112,306
4.49%, 07/20/2041(d)	778,051	808,085
3.44%, 09/20/2041(d)	2,774,808	2,872,847
2.72% (1 mo. USD LIBOR + 0.25%), 01/20/2042(c)	520,518	520,410
		76,567,409
Federal Home Loan Mortgage Corp. (FHLMC)–8.34%		
Pass Through Ctfs., 6.50%, 05/01/2019 to 12/01/2035	2,008,380	2,234,331
6.00%, 07/01/2019 to 07/01/2038	219,416	233,077
4.50%, 09/01/2020 to 08/01/2041	6,950,350	7,277,862
10.00%, 03/01/2021	966	969
9.00%, 06/01/2021 to 06/01/2022	19,060	19,254
7.00%, 12/01/2021 to 11/01/2035	2,500,099	2,779,610
8.00%, 12/01/2021 to 02/01/2035	634,212	668,028
7.50%, 09/01/2022 to 06/01/2035	799,921	879,722
8.50%, 11/17/2022 to 08/01/2031	341,945	372,237
5.50%, 12/01/2022	55,424	55,784
3.50%, 08/01/2026	534,528	541,906
3.00%, 05/01/2027 to 02/01/2032	5,706,730	5,699,785
7.05%, 05/20/2027	93,467	99,354
6.03%, 10/20/2030	682,088	745,326
5.00%, 01/01/2037 to 01/01/2040	1,016,240	1,080,384
Pass Through Ctfs., ARM, 4.71% (1 yr. USD LIBOR + 1.88%), 09/01/2035(c)	3,060,864	3,219,630
4.43% (1 yr. USD LIBOR + 1.87%), 07/01/2036(c)	2,670,166	2,802,893

	Principal Amount	Value
Federal Home Loan Mortgage Corp. (FHLMC)–(continued)		
4.31% (1 yr. USD LIBOR + 1.55%), 10/01/2036(c)	$ 1,389,144	$ 1,447,436
4.74% (1 yr. USD LIBOR + 1.91%), 10/01/2036(c)	109,579	115,617
4.78% (1 yr. USD LIBOR + 1.98%), 11/01/2037(c)	774,883	814,651
4.35% (1 yr. USD LIBOR + 2.01%), 01/01/2038(c)	52,685	55,332
4.38% (1 yr. USD LIBOR + 1.84%), 07/01/2038(c)	754,473	792,956
4.23% (1 yr. USD LIBOR + 1.78%), 06/01/2043(c)	1,225,288	1,274,911
2.89% (1 yr. USD LIBOR + 1.64%), 01/01/2048(c)	6,109,489	6,115,156
		39,326,211
Federal National Mortgage Association (FNMA)–12.45%		
Pass Through Ctfs., 6.50%, 02/01/2019 to 11/01/2037	1,964,495	2,118,988
4.50%, 04/01/2019 to 10/01/2048	9,526,493	9,934,361
5.00%, 03/01/2020 to 12/01/2033	223,402	230,257
7.00%, 08/01/2020 to 06/01/2036	2,299,309	2,428,733
8.00%, 02/01/2021 to 10/01/2037	2,320,493	2,656,156
8.50%, 02/01/2021 to 08/01/2037	712,845	786,423
5.50%, 03/01/2021 to 05/01/2035	1,152,457	1,233,763
6.00%, 08/01/2021 to 10/01/2038	1,327,715	1,437,389
7.50%, 11/01/2022 to 08/01/2037	3,624,356	4,024,527
6.75%, 07/01/2024	206,610	221,832
6.95%, 10/01/2025	15,207	15,331
3.50%, 03/01/2027 to 08/01/2027	7,208,727	7,311,289
3.00%, 05/01/2027 to 07/01/2032	10,531,441	10,534,216
4.00%, 12/01/2048	9,189,763	9,424,039
Pass Through Ctfs., ARM, 4.83% (1 yr. U.S. Treasury Yield Curve Rate + 2.36%), 10/01/2034(c)	1,718,751	1,818,525
4.30% (1 yr. U.S. Treasury Yield Curve Rate + 2.21%), 05/01/2035(c)	225,668	237,997
4.11% (1 yr. USD LIBOR + 1.72%), 03/01/2038(c)	54,998	57,688
4.47% (1 yr. USD LIBOR + 1.76%), 02/01/2042(c)	532,110	546,055
2.17% (1 yr. USD LIBOR + 1.52%), 08/01/2043(c)	1,895,516	1,871,179
2.28% (1 yr. U.S. Treasury Yield Curve Rate + 1.88%), 05/01/2044(c)	1,739,566	1,758,158
		58,646,906
Government National Mortgage Association (GNMA)–2.96%		
Pass Through Ctfs., 7.00%, 07/15/2019 to 12/15/2036	724,298	781,022
6.50%, 07/15/2020 to 09/15/2034	2,752,814	2,959,407
6.00%, 09/15/2020 to 08/15/2033	429,245	458,362
7.50%, 09/15/2022 to 10/15/2035	1,798,938	1,989,932
8.00%, 01/15/2023 to 01/15/2037	985,554	1,108,094
5.00%, 02/15/2025	148,807	154,801

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

	Principal Amount	Value
Government National Mortgage Association (GNMA)–(continued)		
8.50%, 02/15/2025 to 01/15/2037	$ 136,063	$ 140,860
6.95%, 08/20/2025 to 08/20/2027	158,097	158,182
6.38%, 10/20/2027 to 02/20/2028	209,455	214,585
6.10%, 12/20/2033	3,489,693	3,844,619
3.50%, 10/20/2042	2,161,015	2,154,372
		13,964,236
Total U.S. Government Sponsored Agency Mortgage-Backed Securities (Cost $188,295,172)		188,504,762

Non-U.S. Government Sponsored Agency Securities–12.09%

Collateralized Mortgage Obligations–9.78%

	Principal Amount	Value
Banc of America Commercial Mortgage Trust, Series 2015-UBS7, Class XA, IO, Variable Rate Pass Through Ctfs., 0.85%, 09/15/2048(d)	16,212,315	713,946
Bear Stearns Adjustable Rate Mortgage Trust, Series 2004-10, Class 12A1, Variable Rate Pass Through Ctfs., 4.14%, 01/25/2035(d)	495,966	502,875
Chase Mortgage Trust, Series 2016-1, Class M3, Variable Rate Pass Through Ctfs., 3.75%, 04/25/2045(d)(e)	2,285,816	2,271,942
Series 2016-2, Class M3, Variable Rate Pass Through Ctfs., 3.75%, 12/25/2045(d)(e)	2,687,524	2,653,884
Commercial Mortgage Trust, Series 2015-CR23, Class CMB, Variable Rate Pass Through Ctfs., 3.68%, 05/10/2048(d)(e)	4,740,000	4,748,639
Series 2015-CR24, Class B, Variable Rate Pass Through Ctfs., 4.38%, 08/10/2048(d)	6,200,000	6,356,002
Galton Funding Mortgage Trust, Series 2018-2, Class A41, Pass Through Ctfs., 4.50%, 10/25/2058(e)	4,484,365	4,561,369
JP Morgan Mortgage Trust, Series 2018-8, Class A15, Variable Rate Pass Through Ctfs., 4.00%, 01/25/2049(d)(e)	3,372,700	3,408,747
New Residential Mortgage Loan Trust, Series 2018-4A, Class A1S, Floating Rate Pass Through Ctfs., 3.26% (1 mo. USD LIBOR + 0.75%), 01/25/2048(c)(e)	4,558,443	4,545,850
Starwood Mortgage Residential Trust, Series 2018-IMC2, Class A3, Rate Pass Through Ctfs., 4.38%, 10/25/2048(e)	4,604,839	4,653,089

	Principal Amount	Value
Collateralized Mortgage Obligations–(continued)		
Towd Point Mortgage Trust, Series 2015-1, Class AES, Variable Rate Pass Through Ctfs., 3.00%, 10/25/2053(d)(e)	$ 1,721,387	$ 1,712,636
Verus Securitization Trust, Series 2018-3, Class A2, Pass Through Ctfs., 4.18%, 10/25/2058(e)	4,074,850	4,058,866
Wells Fargo Commercial Mortgage Trust, Series 2015-C28, Class B, Variable Rate Pass Through Ctfs., 4.13%, 05/15/2048(d)	5,900,000	5,906,122
		46,093,967
Bonds & Notes–2.31%		
Israel Government Agency for International Development (AID) Bond, Unsec. Gtd. Global Bonds, 5.13%, 11/01/2024	3,800,000	4,293,794
Private Export Funding Corp., Series BB, Sec. Gtd. Notes, 4.30%, 12/15/2021	1,540,000	1,609,566
Series HH, Sr. Sec. Gtd. Notes, 1.45%, 08/15/2019	5,000,000	4,959,405
		10,862,765
Total Non-U.S. Government Sponsored Agency Securities (Cost $56,517,268)		56,956,732

U.S. Government Sponsored Agency Securities–1.75%

	Principal Amount	Value
Federal Home Loan Bank (FHLB)–1.34%		
Unsec. Bonds, 3.38%, 06/12/2020	6,220,000	6,293,999
Tennessee Valley Authority (TVA)–0.41%		
Sr. Unsec. Global Notes, 1.88%, 08/15/2022	2,000,000	1,947,660
Total U.S. Government Sponsored Agency Securities (Cost $8,315,322)		8,241,659

	Shares	Value
Money Market Funds–1.23%		
Invesco Government & Agency Portfolio-Institutional Class, 2.30% (Cost $5,779,554)(f)	5,779,554	5,779,554
Options Purchased–0.00%		
(Cost $160,800)(g)		12,016
TOTAL INVESTMENTS IN SECURITIES–102.83% (Cost $486,767,791)		484,545,301
OTHER ASSETS LESS LIABILITIES–(2.83)%		(13,343,503)
NET ASSETS–100.00%		$471,201,798

Investment Abbreviations:

ACES – Automatically Convertible Extendable Security
ARM – Adjustable Rate Mortgage
Ctfs. – Certificates
Gtd. – Guaranteed
IO – Interest Only
LIBOR – London Interbank Offered Rate
REMICs – Real Estate Mortgage Investment Conduits
Sec. – Secured
Sr. – Senior
STRIPS – Separately Traded Registered Interest and Principal Security
Unsec. – Unsecured
USD – U.S. Dollar

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

Notes to Schedule of Investments:

(a) Security traded on a discount basis. The interest rate shown represents the discount rate at the time of purchase by the Fund.
(b) All or a portion of the value was pledged as collateral to cover margin requirements for open futures contracts and swap agreements. See Note 1J, 1M and Note 4.
(c) Interest or dividend rate is redetermined periodically. Rate shown is the rate in effect on December 31, 2018.
(d) Interest rate is redetermined periodically based on the cash flows generated by the pool of assets backing the security, less any applicable fees. The rate shown is the rate in effect on December 31, 2018.
(e) Security purchased or received in a transaction exempt from registration under the Securities Act of 1933, as amended (the "1933 Act"). The security may be resold pursuant to an exemption from registration under the 1933 Act, typically to qualified institutional buyers. The aggregate value of these securities at December 31, 2018 was $32,615,022, which represented 6.92% of the Fund's Net Assets.
(f) The money market fund and the Fund are affiliated by having the same investment adviser. The rate shown is the 7-day SEC standardized yield as of December 31, 2018.
(g) The table below details options purchased: See Note 1L and Note 4:

Open Over-The-Counter Interest Rate Swaptions Purchased

Description	Type of Contract	Counterparty	Exercise Rate	Pay/ Receive Exercise Rate	Floating Rate Index	Payment Frequency	Expiration Date	Notional Value	Value
10 Year Interest Rate Swap	Put	BNP Paribas Securities Corp.	3.25%	Pay	3 month USD LIBOR	Quarterly	03/12/2019	$20,000,000	$12,016
Total Options Purchased — Interest Rate Risk (Cost $160,800)									$12,016

Open Futures Contracts

	Number of Contracts	Expiration Month	Notional Value	Value	Unrealized Appreciation (Depreciation)[a]
Long Futures Contracts					
U.S. Treasury 5 Year Notes	52	March-2019	$ 5,963,750	$ 12,501	$ 12,501
U.S. Treasury 10 Year Notes	64	March-2019	7,809,000	111,316	111,316
U.S. Treasury Ultra Bonds	85	March-2019	13,655,781	407,090	407,090
Subtotal — Long Future Contracts				530,907	530,907
Short Futures Contracts					
U.S. Treasury 2 Year Notes	99	March-2019	(21,018,938)	(87,071)	(87,071)
U.S. Treasury 10 Year Ultra Bonds	34	March-2019	(4,422,656)	(140,726)	(140,726)
Subtotal — Short Future Contracts				(227,797)	(227,797)
Total Futures Contracts — Interest Rate Risk				$ 303,110	$ 303,110

Open Centrally Cleared Interest Rate Swap Agreements

Pay/Receive Floating Rate	Floating Rate Index	Payment Frequency	(Pay)/ Receive Fixed Rate	Payment Frequency	Maturity Date	Notional Value	Upfront Payments Paid (Received)	Value	Unrealized Appreciation (Depreciation)[a]
Pay	3 month USD LIBOR	Quarterly	2.93%	Semi-Annually	03/14/2019	$ (6,221,000)	$–	$(115,279)	$(115,279)
Pay	3 month USD LIBOR	Quarterly	3.21	Semi-Annually	03/14/2019	10,151,000	–	440,944	440,944
Total Centrally Cleared Interest Rate Swap Agreements — Interest Rate Risk							$–	$ 325,665	$ 325,665

(a) The daily variation margin receivable at period-end is recorded in the Statement of Assets and Liabilities.

Statement of Assets and Liabilities

December 31, 2018

Assets:	
Investments in securities, at value (Cost $480,988,237)	$478,765,747
Investments in affiliated money market funds, at value and cost	5,779,554
Other investments:	
Variation margin receivable – futures contracts	47,464
Variation margin receivable – centrally cleared swap agreements	16,325
Receivable for:	
Investments sold	6,005,804
Fund shares sold	17,692
Dividends	2,053,144
Investment for trustee deferred compensation and retirement plans	212,430
Other assets	381
Total assets	492,898,541
Liabilities:	
Payable for:	
Investments purchased	20,017,121
Amount due to custodian	347,168
Fund shares reacquired	746,467
Accrued fees to affiliates	301,966
Accrued trustees' and officers' fees and benefits	5,186
Accrued other operating expenses	46,197
Trustee deferred compensation and retirement plans	232,638
Total liabilities	21,696,743
Net assets applicable to shares outstanding	$471,201,798
Net assets consist of:	
Shares of beneficial interest	$482,331,737
Distributable earnings	(11,129,939)
	$471,201,798
Net Assets:	
Series I	$279,476,344
Series II	$191,725,454
Shares outstanding, no par value, with an unlimited number of shares authorized:	
Series I	24,901,978
Series II	17,241,864
Series I:	
Net asset value per share	$ 11.22
Series II:	
Net asset value per share	$ 11.12

Statement of Operations

For the year ended December 31, 2018

Investment income:	
Interest	$14,527,041
Dividends from affiliated money market funds	100,453
Total investment income	14,627,494
Expenses:	
Advisory fees	2,365,820
Administrative services fees	866,030
Custodian fees	18,935
Distribution fees – Series II	494,942
Transfer agent fees	25,465
Trustees' and officers' fees and benefits	26,967
Reports to shareholders	5,644
Professional services fees	41,195
Other	66,493
Total expenses	3,911,491
Less: Fees waived	(5,944)
Net expenses	3,905,547
Net investment income	10,721,947
Realized and unrealized gain (loss):	
Net realized gain (loss) from:	
Investment securities	(2,840,375)
Futures contracts	(939,408)
Option contracts written	28,426
Swap agreements	(517,239)
	(4,268,596)
Change in net unrealized appreciation (depreciation) of:	
Investment securities	(5,536,074)
Futures contracts	179,108
Swap agreements	396,317
	(4,960,649)
Net realized and unrealized gain (loss)	(9,229,245)
Net increase in net assets resulting from operations	$ 1,492,702

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

Statement of Changes in Net Assets

For the years ended December 31, 2018 and 2017

	2018	2017
Operations:		
Net investment income	$ 10,721,947	$ 10,356,098
Net realized gain (loss)	(4,268,596)	(86,759)
Change in net unrealized appreciation (depreciation)	(4,960,649)	(387,548)
Net increase in net assets resulting from operations	1,492,702	9,881,791
Distributions to shareholders from distributable earnings[1]:		
Series I	(6,550,635)	(7,221,984)
Series II	(3,832,997)	(3,882,382)
Total distributions from distributable earnings	(10,383,632)	(11,104,366)
Share transactions–net:		
Series I	(33,348,279)	(34,554,472)
Series II	(11,943,167)	2,536,879
Net increase (decrease) in net assets resulting from share transactions	(45,291,446)	(32,017,593)
Net increase (decrease) in net assets	(54,182,376)	(33,240,168)
Net assets:		
Beginning of year	525,384,174	558,624,342
End of year	$471,201,798	$525,384,174

[1] The Securities and Exchange Commission eliminated the requirement to disclose distribution components separately, except for tax return of capital. For the year ended December 31, 2017, distributions to shareholders from distributable earnings consisted of distributions from net investment income.

Notes to Financial Statements

December 31, 2018

NOTE 1—Significant Accounting Policies

Invesco V.I. Government Securities Fund (the "Fund") is a series portfolio of AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"). The Trust is a Delaware statutory trust registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end series management investment company. Information presented in these financial statements pertains only to the Fund. Matters affecting the Fund or each class will be voted on exclusively by the shareholders of the Fund or each class. Current Securities and Exchange Commission ("SEC") guidance, however, requires participating insurance companies offering separate accounts to vote shares proportionally in accordance with the instructions of the contract owners whose investments are funded by shares of each Fund or class.

The Fund's investment objective is total return, comprised of current income and capital appreciation.

The Fund currently offers two classes of shares, Series I and Series II, both of which are offered to insurance company separate accounts funding variable annuity contracts and variable life insurance policies ("variable products").

The Fund is an investment company and accordingly follows the investment company accounting and reporting guidance in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 946, *Financial Services – Investment Companies*.

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

A. Security Valuations – Securities, including restricted securities, are valued according to the following policy.

Debt obligations (including convertible securities) and unlisted equities are fair valued using an evaluated quote provided by an independent pricing service. Evaluated quotes provided by the pricing service may be determined without exclusive reliance on quoted prices, and may reflect appropriate factors such as institution-size trading in similar groups of securities, developments related to specific securities, dividend rate (for unlisted equities), yield (for debt obligations), quality, type of issue, coupon rate (for debt obligations), maturity (for debt obligations), individual trading characteristics and other market data. Pricing services generally value debt obligations assuming orderly transactions of institutional round lot size, but a fund may hold or transact in the same securities in smaller, odd lot sizes. Odd lots often trade at lower prices than institutional round lots. Debt obligations are subject to interest rate and credit risks. In addition, all debt obligations involve some risk of default with respect to interest and/or principal payments.

A security listed or traded on an exchange (except convertible securities) is valued at its last sales price or official closing price as of the close of the customary trading session on the exchange where the security is principally traded, or lacking any sales or official closing price on a particular day, the security may be valued at the closing bid price on that day. Securities traded in the over-the-counter market are valued based on prices furnished by independent pricing services or market makers. When such securities are valued by an independent pricing service they may be considered fair valued. Futures contracts are valued at the final settlement price set by an exchange on which they are principally traded. Listed options are valued at the mean between the last bid and asked prices from the exchange on which they are principally traded. Options not listed on an exchange are valued by an independent source at the mean between the last bid and asked prices. For purposes of determining net asset value ("NAV") per share, futures and option contracts generally are valued 15 minutes after the close of the customary trading session of the New York Stock Exchange ("NYSE").

Investments in open-end and closed-end registered investment companies that do not trade on an exchange are valued at the end-of-day net asset value per share. Investments in open-end and closed-end registered investment companies that trade on an exchange are valued at the last sales price or official closing price as of the close of the customary trading session on the exchange where the security is principally traded.

Foreign securities' (including foreign exchange contracts) prices are converted into U.S. dollar amounts using the applicable exchange rates as of the close of the NYSE. If market quotations are available and reliable for foreign exchange-traded equity securities, the securities will be valued at the market quotations. Because trading hours for certain foreign securities end before the close of the NYSE, closing market quotations may become unreliable. If between the time trading ends on a particular security and the close of the customary trading session on the NYSE, events occur that the investment adviser determines are significant and make the closing price unreliable, the Fund may fair value the security. If the event is likely to have affected the closing price of the security, the security will be valued at fair value in good faith using procedures approved by the Board of Trustees. Adjustments to closing prices to reflect fair value may also be based on a screening process of an independent pricing service to indicate the degree of certainty, based on historical data, that the closing price in the principal market where a foreign security trades is not the current value as of the close of the NYSE. Foreign securities' prices meeting the approved degree of certainty that the price is not reflective of current value will be priced at the indication of fair value from the independent pricing service. Multiple factors may be considered by the independent pricing service in determining adjustments to reflect fair value and may include information relating to sector indices, American Depositary Receipts and domestic and foreign index futures. Foreign securities may have additional risks including exchange rate changes, potential for sharply devalued currencies and high inflation, political and economic upheaval, the relative lack of issuer information, relatively low market liquidity and the potential lack of strict financial and accounting controls and standards.

Securities for which market prices are not provided by any of the above methods may be valued based upon quotes furnished by independent sources. The last bid price may be used to value equity securities. The mean between the last bid and asked prices is used to value debt obligations, including corporate loans.

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

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

Valuations change in response to many factors including the historical and prospective earnings of the issuer, the value of the issuer's assets, general economic conditions, interest rates, investor perceptions and market liquidity. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

B. Securities Transactions and Investment Income – Securities transactions are accounted for on a trade date basis. Realized gains or losses on sales are computed on the basis of specific identification of the securities sold. Interest income (net of withholding tax, if any) is recorded on the accrual basis from settlement date. Bond premiums and discounts are amortized and/or accreted over the lives of the respective securities. Pay-in-kind interest income and non-cash dividend income received in the form of securities in-lieu of cash are recorded at the fair value of the securities received. Paydown gains and losses on mortgage and asset-backed securities are recorded as adjustments to interest income. Dividend income (net of withholding tax, if any) is recorded on the ex-dividend date.

The Fund may periodically participate in litigation related to Fund investments. As such, the Fund may receive proceeds from litigation settlements. Any proceeds received are included in the Statement of Operations as realized gain (loss) for investments no longer held and as unrealized gain (loss) for investments still held.

Brokerage commissions and mark ups are considered transaction costs and are recorded as an increase to the cost basis of securities purchased and/or a reduction of proceeds on a sale of securities. Such transaction costs are included in the determination of net realized and unrealized gain (loss) from investment securities reported in the Statement of Operations and the Statement of Changes in Net Assets and the net realized and unrealized gains (losses) on securities per share in the Financial Highlights. Transaction costs are included in the calculation of the Fund's net asset value and, accordingly, they reduce the Fund's total returns. These transaction costs are not considered operating expenses and are not reflected in net investment income reported in the Statement of Operations and the Statement of Changes in Net Assets, or the net investment income per share and the ratios of expenses and net investment income reported in the Financial Highlights, nor are they limited by any expense limitation arrangements between the Fund and the investment adviser.

The Fund allocates income and realized and unrealized capital gains and losses to a class based on the relative net assets of each class.

C. Country Determination – For the purposes of making investment selection decisions and presentation in the Schedule of Investments, the investment adviser may determine the country in which an issuer is located and/or credit risk exposure based on various factors. These factors include the laws of the country under which the issuer is organized, where the issuer maintains a principal office, the country in which the issuer derives 50% or more of its total revenues and the country that has the primary market for the issuer's securities, as well as other criteria. Among the other criteria that may be evaluated for making this determination are the country in which the issuer maintains 50% or more of its assets, the type of security, financial guarantees and enhancements, the nature of the collateral and the sponsor organization. Country of issuer and/or credit risk exposure has been determined to be the United States of America, unless otherwise noted.

D. Distributions – Distributions from net investment income and net realized capital gain, if any, are generally declared and paid to separate accounts of participating insurance companies annually and recorded on the ex-dividend date.

E. Federal Income Taxes – The Fund intends to comply with the requirements of Subchapter M of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), necessary to qualify as a regulated investment company and to distribute substantially all of the Fund's taxable earnings to shareholders. As such, the Fund will not be subject to federal income taxes on otherwise taxable income (including net realized capital gain) that is distributed to shareholders. Therefore, no provision for federal income taxes is recorded in the financial statements.

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

The Fund files tax returns in the U.S. Federal jurisdiction and certain other jurisdictions. Generally, the Fund is subject to examinations by such taxing authorities for up to three years after the filing of the return for the tax period.

F. Expenses – Fees provided for under the Rule 12b-1 plan of a particular class of the Fund and which are directly attributable to that class are charged to the operations of such class. All other expenses are allocated among the classes based on relative net assets.

G. Accounting Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period including estimates and assumptions related to taxation. Actual results could differ from those estimates by a significant amount. In addition, the Fund monitors for material events or transactions that may occur or become known after the period-end date and before the date the financial statements are released to print.

H. Indemnifications – Under the Trust's organizational documents, each Trustee, officer, employee or other agent of the Trust is indemnified against certain liabilities that may arise out of the performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts, including the Fund's servicing agreements, that contain a variety of indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. The risk of material loss as a result of such indemnification claims is considered remote.

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

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

K. Call Options Purchased and Written – The Fund may write covered call options and/or buy call options. A covered call option gives the purchaser of such option the right to buy, and the writer the obligation to sell, the underlying security or foreign currency at the stated exercise price during the option period. Options written by the Fund normally will have expiration dates between three and nine months from the date written. The exercise price of a call option may be below, equal to, or above the current market value of the underlying security at the time the option is written.

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

When the Fund writes a covered call option, an amount equal to the premium received by the Fund is recorded as an asset and an equivalent liability in the Statement of Assets and Liabilities. The amount of the liability is subsequently "marked-to-market" to reflect the current market value of the option written. If a written covered call option expires on the stipulated expiration date, or if the Fund enters into a closing purchase transaction, the Fund realizes a gain (or a loss if the closing purchase transaction exceeds the premium received when the option was written) without regard to any unrealized gain or loss on the underlying security, and the liability related to such option is extinguished. If a written covered call option is exercised, the Fund realizes a gain or a loss from the sale of the underlying security and the proceeds of the sale are increased by the premium originally received. Realized and unrealized gains and losses on call options written are included in the Statement of Operations as Net realized gain (loss) from and Change in net unrealized appreciation (depreciation) of Option contracts written. A risk in writing a covered call option is that the Fund gives up the opportunity for profit if the market price of the security increases and the option is exercised.

When the Fund buys a call option, an amount equal to the premium paid by the Fund is recorded as an investment on the Statement of Assets and Liabilities. The amount of the investment is subsequently "marked-to-market" to reflect the current value of the option purchased. Realized and unrealized gains and losses on call options purchased are included in the Statement of Operations as Net realized gain (loss) from and Change in net unrealized appreciation (depreciation) of Investment securities. A risk in buying an option is that the Fund pays a premium whether or not the option is exercised. In addition, there can be no assurance that a liquid secondary market will exist for any option purchased.

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

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

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

M. Swap Agreements – The Fund may enter into various swap transactions, including interest rate, total return, index, currency and credit default swap contracts ("CDS") for investment purposes or to manage interest rate, currency or credit risk. Such transactions are agreements between Counterparties. A swap agreement may be negotiated bilaterally and traded over-the-counter ("OTC") between two parties ("uncleared/OTC") or, in some instances, must be transacted through a future commission merchant ("FCM") and cleared through a clearinghouse that serves as a central Counterparty ("centrally cleared swap"). These agreements may contain among other conditions, events of default and termination events, and various covenants and representations such as provisions that require the Fund to maintain a pre-determined level of net assets, and/or provide limits regarding the decline of the Fund's NAV over specific periods of time. If the Fund were to trigger such provisions and have open derivative positions at that time, the Counterparty may be able to terminate such agreement and request immediate payment in an amount equal to the net liability positions, if any.

Interest rate, total return, index, and currency swap agreements are two-party contracts entered into primarily to exchange the returns (or differentials in rates of returns) earned or realized on particular predetermined investments or instruments. The gross returns to be exchanged or "swapped" between the parties are calculated with respect to a notional amount, i.e., the return on or increase in value of a particular dollar amount invested at a particular interest rate or return of an underlying asset, in a particular foreign currency, or in a "basket" of securities representing a particular index.

In a centrally cleared swap, the Fund's ultimate Counterparty is a central clearinghouse. The Fund initially will enter into centrally cleared swaps through an executing broker. When a fund enters into a centrally cleared swap, it must deliver to the central Counterparty (via the FCM) an amount referred to as "initial margin." Initial margin requirements are determined by the central Counterparty, but an FCM may require additional initial margin above the amount required by the central Counterparty. Initial margin deposits required upon entering into centrally cleared swaps are satisfied by cash or securities as collateral at the FCM. Securities deposited as initial margin are designated on the Schedule of Investments and cash deposited is recorded on the Statement of Assets and Liabilities. During the term of a cleared swap agreement, a "variation margin" amount may be required to be paid by the Fund or may be received by the Fund, based on the daily change in price of the underlying reference instrument subject to the swap agreement and is recorded as a receivable or payable for variation margin in the Statement of Assets and Liabilities until the centrally cleared swap is terminated at which time a realized gain or loss is recorded.

A CDS is an agreement between Counterparties to exchange the credit risk of an issuer. A buyer of a CDS is said to buy protection by paying a fixed payment over the life of the agreement and in some situations an upfront payment to the seller of the CDS. If a defined credit event occurs (such as payment default or bankruptcy), the Fund as a protection buyer would cease paying its fixed payment, the Fund would deliver eligible bonds issued by the reference entity to the seller, and the seller would pay the full notional value, or the "par value", of the referenced obligation to the Fund. A seller of a CDS is said to sell protection and thus would receive a fixed payment over the life of the agreement and an upfront payment, if applicable. If a credit event occurs, the Fund as a protection seller would cease to receive the fixed payment stream, the Fund would pay the buyer "par value" or the full notional value of the referenced obligation, and the Fund would receive the eligible bonds issued by the reference entity. In turn, these bonds may be sold in order to realize a recovery value. Alternatively, the seller of the CDS and its Counterparty may agree to net the notional amount and the market value of the bonds and make a cash payment equal to the difference to the buyer of protection. If no credit event occurs, the Fund receives the fixed payment over the life of the agreement. As the seller, the Fund would effectively add leverage to its portfolio because, in addition to its total net assets, the Fund would be subject to investment exposure on the notional amount of the CDS. In connection with these agreements, cash and securities may be identified as collateral in accordance with the terms of the respective swap agreements to provide assets of value and recourse in the event of default under the swap agreement or bankruptcy/insolvency of a party to the swap agreement. If a Counterparty becomes bankrupt or otherwise fails to perform its obligations due to financial difficulties, the Fund may experience significant delays in obtaining any recovery in a bankruptcy or other reorganization proceeding. The Fund may obtain only limited recovery or may obtain no recovery in such circumstances. The Fund's maximum risk of loss from Counterparty risk, either as the protection seller or as the protection buyer, is the value of the contract. The risk may be mitigated by having a master netting arrangement between the Fund and the Counterparty and by the designation of collateral by the Counterparty to cover the Fund's exposure to the Counterparty.

Implied credit spreads represent the current level at which protection could be bought or sold given the terms of the existing CDS contract and serve as an indicator of the current status of the payment/performance risk of the CDS. An implied spread that has widened or increased since entry into the initial contract may indicate a deteriorating credit profile and increased risk of default for the reference entity. A declining or narrowing spread may indicate an improving credit profile or decreased risk of default for the reference entity. Alternatively, credit spreads may increase or decrease reflecting the general tolerance for risk in the credit markets.

An interest rate swap is an agreement between Counterparties pursuant to which the parties exchange a floating rate payment for a fixed rate payment based on a specified notional amount.

A total return swap is an agreement in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes both the income generated and capital gains, if any. The unrealized appreciation (depreciation) on total return swaps includes dividends on the underlying securities and financing rate payable from the Counterparty. At the maturity date, a net cash flow is exchanged where the total return is equivalent to the return of the underlying reference less a financing rate, if any. As a receiver, the Fund would receive payments based on any positive total return and would owe payments in the event of a negative total return. As the payer, the Fund would owe payments on any net positive total return, and would receive payment in the event of a negative total return.

Changes in the value of centrally cleared and OTC swap agreements are recognized as unrealized gains (losses) in the Statement of Operations by "marking to market" on a daily basis to reflect the value of the swap agreement at the end of each trading day. Payments received or paid at the beginning of the agreement are reflected as such on the Statement of Assets and Liabilities and may be referred to as upfront payments. The Fund accrues for the fixed payment stream and amortizes upfront payments, if any, on swap agreements on a daily basis with the net amount, recorded as a component of realized gain (loss) on the Statement of Operations. A liquidation payment received or made at the termination of a swap agreement is recorded as realized gain (loss) on the Statement of Operations. The Fund segregates cash or liquid securities having a value at least equal to the amount of the potential obligation of a Fund under any swap transaction. Cash held as collateral is recorded as deposits with brokers on the Statement of Assets and Liabilities. Entering into these agreements involves, to varying degrees, lack of liquidity and elements of credit, market, and Counterparty risk in excess of amounts recognized on the Statement of Assets and Liabilities. Such risks involve the possibility that a swap is difficult to sell or liquidate; the Counterparty does not honor its obligations under the agreement and unfavorable interest rates and market fluctuations. It is possible that developments in the swaps market, including potential government regulation, could adversely affect the Fund's ability to terminate existing swap agreements or to realize amounts to be received under such agreements. A short position in a security poses more risk than holding the same security long. As there is no limit on how much the price of the security can increase, the Fund's exposure is unlimited.

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

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

Dollar roll transactions involve the risk that a Counterparty to the transaction may fail to complete the transaction. If this occurs, the Fund may lose the opportunity to purchase or sell the security at the agreed upon price. Dollar roll transactions also involve the risk that the value of the securities retained by the Fund may decline below the price of the securities that the Fund has sold but is obligated to purchase under the agreement. Dollar roll transactions covered in this manner are not treated as senior securities for purposes of a Fund's fundamental investment limitation on borrowings.

O. Other Risks – The Fund may invest in obligations issued by agencies and instrumentalities of the U.S. Government that may vary in the level of support they receive from the government. The government may choose not to provide financial support to government sponsored agencies or instrumentalities if it is not legally obligated to do so. In this case, if the issuer defaulted, the Fund may not be able to recover its investment in such issuer from the U.S. Government. Many securities purchased by the Fund are not guaranteed by the U.S. Government.

P. Leverage Risk – Leverage exists when the Fund can lose more than it originally invests because it purchases or sells an instrument or enters into a transaction without investing an amount equal to the full economic exposure of the instrument or transaction.

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

NOTE 2—Advisory Fees and Other Fees Paid to Affiliates

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

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

For the year ended December 31, 2018, the effective advisory fees incurred by the Fund was 0.48%.

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

The Adviser has contractually agreed, through at least June 30, 2019, to waive advisory fees and/or reimburse expenses of all shares to the extent necessary to limit total annual fund operating expenses after fee waivers and/or expense reimbursements (excluding certain items discussed below) of Series I shares to 1.50% and Series II shares to 1.75% of average daily net assets (the "expense limits"). In determining the Adviser's obligation to waive advisory fees and/or reimburse expenses, the following expenses are not taken into account, and could cause the total annual fund operating expenses after fee waivers and/or expense reimbursements to exceed the numbers reflected above: (1) interest; (2) taxes; (3) dividend expense on short sales; (4) extraordinary or non-routine items, including litigation expenses; and (5) expenses that the Fund has incurred but did not actually pay because of an expense offset arrangement. Unless Invesco continues the fee waiver agreement, it will terminate on June 30, 2019. During its term, the fee waiver agreement cannot be terminated or amended to increase the expense limits or reduce the advisory fee waiver without approval of the Board of Trustees. The Adviser did not waive fees and/or reimburse expenses during the period under these expense limits.

Further, the Adviser has contractually agreed, through at least June 30, 2020, to waive the advisory fee payable by the Fund in an amount equal to 100% of the net advisory fees the Adviser receives from the affiliated money market funds on investments by the Fund of uninvested cash in such affiliated money market funds.

For the year ended December 31, 2018, the Adviser waived advisory fees of $5,944.

The Trust has entered into a master administrative services agreement with Invesco pursuant to which the Fund has agreed to pay Invesco a fee for costs incurred in providing accounting services and fund administrative services to the Fund and to reimburse Invesco for fees paid to insurance companies that have agreed to provide certain administrative services to the Fund. These administrative services provided by the insurance companies may include, among other things: maintenance of master accounts with the Fund; tracking, recording and transmitting net purchase and redemption orders for Fund shares; maintaining and preserving records related to the purchase, redemption and other account activity of variable product owners; distributing copies of Fund documents such as prospectuses, proxy materials and periodic reports, to variable product owners, and responding to inquiries from variable product owners about the Fund. Pursuant to such agreement, for the year ended December 31, 2018, Invesco was paid $119,530 for accounting and fund administrative services and was reimbursed $746,499 for fees paid to insurance companies.

The Trust has entered into a transfer agency and service agreement with Invesco Investment Services, Inc. ("IIS") pursuant to which the Fund has agreed to pay IIS a fee for providing transfer agency and shareholder services to the Fund and reimburse IIS for certain expenses incurred by IIS in the course of providing such services. For the year ended December 31, 2018, expenses incurred under the agreement are shown in the Statement of Operations as *Transfer agent fees*.

The Trust has entered into a master distribution agreement with Invesco Distributors, Inc. ("IDI") to serve as the distributor for the Fund. The Trust has adopted a plan pursuant to Rule 12b-1 under the 1940 Act with respect to the Fund's Series II shares (the "Plan"). The Fund, pursuant to the Plan, pays IDI compensation at the annual rate of 0.25% of the Fund's average daily net assets of Series II shares. The fees are accrued daily and paid monthly. Of the Plan payments, up to 0.25% of the average daily net assets of the Series II shares may be paid to insurance companies who furnish continuing personal shareholder services to customers who purchase and own Series II shares of the Fund. For the year ended December 31, 2018, expenses incurred under the Plan are detailed in the Statement of Operations as *Distribution fees*.

Certain officers and trustees of the Trust are officers and directors of the Adviser, IIS and/or IDI.

NOTE 3—Additional Valuation Information

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under current market conditions. GAAP establishes a hierarchy that prioritizes the inputs to valuation methods, giving the highest priority to readily available unadjusted quoted prices in an active market for identical assets (Level 1) and the lowest priority to significant unobservable inputs (Level 3), generally when market prices are not readily available or are unreliable. Based on the valuation inputs, the securities or other investments are tiered into one of three levels. Changes in valuation methods may result in transfers in or out of an investment's assigned level:

Level 1 — Prices are determined using quoted prices in an active market for identical assets.

Level 2 — Prices are determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, yield curves, loss severities, default rates, discount rates, volatilities and others.

Level 3 — Prices are determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Fund's own assumptions about the factors market participants would use in determining fair value of the securities or instruments and would be based on the best available information.

The following is a summary of the tiered valuation input levels, as of December 31, 2018. The level assigned to the securities valuations may not be an indication of the risk or liquidity associated with investing in those securities. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

	Level 1	Level 2	Level 3	Total
Investments in Securities				
U.S. Treasury Securities	$ –	$225,050,578	$–	$225,050,578
U.S. Government Sponsored Agency Mortgage-Backed Securities	–	188,504,762	–	188,504,762
Non-U.S. Government Sponsored Agency Securities	–	56,956,732	–	56,956,732
U.S. Government Sponsored Agency Securities	–	8,241,659	–	8,241,659
Money Market Funds	5,779,554	–	–	5,779,554
Options Purchased	–	12,016	–	12,016
Total Investments in Securities	5,779,554	478,765,747	–	484,545,301
Other Investments — Assets*				
Futures Contracts	530,907	–	–	530,907
Swap Agreements	–	440,944	–	440,944
	530,907	440,944	–	971,851
Other Investments — Liabilities*				
Futures Contracts	(227,797)	–	–	(227,797)
Swap Agreements	–	(115,279)	–	(115,279)
	(227,797)	(115,279)	–	(343,076)
Total Other Investments	303,110	325,665	–	628,775
Total Investments	$6,082,664	$479,091,412	$–	$485,174,076

* Unrealized appreciation (depreciation).

NOTE 4—Derivative Investments

The Fund may enter into an International Swaps and Derivatives Association Master Agreement ("ISDA Master Agreement") under which a fund may trade OTC derivatives. An OTC transaction entered into under an ISDA Master Agreement typically involves a collateral posting arrangement, payment netting provisions and close-out netting provisions. These netting provisions allow for reduction of credit risk through netting of contractual obligations. The enforceability of the netting provisions of the ISDA Master Agreement depends on the governing law of the ISDA Master Agreement, among other factors.

For financial reporting purposes, the Fund does not offset OTC derivative assets or liabilities that are subject to ISDA Master Agreements in the Statement of Assets and Liabilities.

Value of Derivative Investments at Period-End

The table below summarizes the value of the Fund's derivative investments, detailed by primary risk exposure, held as of December 31, 2018:

	Value
Derivative Assets	**Interest Rate Risk**
Unrealized appreciation on futures contracts – Exchange-Traded[(a)]	$ 530,907
Unrealized appreciation on swap agreements – Centrally Cleared[(a)]	440,944
Options purchased, at value – OTC[(b)]	12,016
Total Derivative Assets	983,867
Derivatives not subject to master netting agreements	(971,851)
Total Derivative Assets subject to master netting agreements	$ 12,016

	Value
Derivative Liabilities	**Interest Rate Risk**
Unrealized depreciation on futures contracts – Exchange-Traded[(a)]	$(227,797)
Unrealized depreciation on swap agreements – Centrally Cleared[(a)]	(115,279)
Total Derivative Liabilities	(343,076)
Derivatives not subject to master netting agreements	343,076
Total Derivative Liabilities subject to master netting agreements	$ –

(a) The daily variation margin receivable at period-end is recorded in the Statement of Assets and Liabilities.
(b) Options purchased, at value as reported in the Schedule of Investments.

Offsetting Assets and Liabilities

The table below reflects the Fund's exposure to Counterparties subject to either an ISDA Master Agreement or other agreement for OTC derivative transactions as of December 31, 2018

	Financial Derivative Assets		Collateral (Received)/Pledged		
Counterparty	**Options Purchased**	**Net Value of Derivatives**	**Non-Cash**	**Cash**	**Net Amount**
BNP Paribas Securities Corp.	$12,016	$12,016	$–	$–	$12,016

Effect of Derivative Investments for the year ended December 31, 2018

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

	Location of Gain (Loss) on Statement of Operations
	Interest Rate Risk
Realized Gain (Loss):	
Futures contracts	$(939,408)
Options purchased[(a)]	279,551
Options written	28,426
Swap agreements	(517,239)
Change in Net Unrealized Appreciation (Depreciation):	
Futures contracts	179,108
Options purchased[(a)]	(187,825)
Swap agreements	396,317
Total	$(761,070)

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

The table below summarizes the twelve month average notional value of futures contracts, the nine months average notional value of swaptions purchased, the two months average notional value of swaptions written and nine month average notional value of swap agreements outstanding during the period.

	Futures Contracts	Swaptions Purchased	Swaptions Written	Swap Agreements
Average notional value	$49,634,932	$28,221,111	$43,500,000	$10,679,111

NOTE 5—Trustees' and Officers' Fees and Benefits

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

NOTE 6—Cash Balances

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

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

Tax Character of Distributions to Shareholders Paid During the Fiscal Years Ended December 31, 2018 and 2017:

	2018	2017
Ordinary income	$10,383,632	$11,104,366

Tax Components of Net Assets at Period-End:

	2018
Undistributed ordinary income	$ 10,598,549
Net unrealized appreciation (depreciation) — investments	(2,125,573)
Temporary book/tax differences	(219,552)
Capital loss carryforward	(19,383,363)
Shares of beneficial interest	482,331,737
Total net assets	$471,201,798

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

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

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

The Fund has a capital loss carryforward as of December 31, 2018, as follows:

Capital Loss Carryforward

Expiration	Short-Term	Long-Term	Total
Not subject to expiration	$9,307,474	$10,075,889	$19,383,363

NOTE 8—Investment Transactions

The aggregate amount of investment securities (other than short-term securities, U.S. Treasury obligations and money market funds, if any) purchased and sold by the Fund during the year ended December 31, 2018 was $42,942,847 and $98,574,724, respectively. During the same period, purchases and sales of U.S. Treasury obligations were $77,192,420 and $52,143,976, respectively. Cost of investments, including any derivatives, on a tax basis includes the adjustments for financial reporting purposes as of the most recently completed federal income tax reporting period-end.

Unrealized Appreciation (Depreciation) of Investments on a Tax Basis	
Aggregate unrealized appreciation of investments	$ 4,978,979
Aggregate unrealized (depreciation) of investments	(7,104,552)
Net unrealized appreciation (depreciation) of investments	$(2,125,573)

Cost of investments for tax purposes is $487,299,649.

NOTE 9—Reclassification of Permanent Differences

Primarily as a result of differing book/tax treatment of swap agreements, on December 31, 2018, undistributed net investment income was decreased by $56 and undistributed net realized gain (loss) was increased by $56. This reclassification had no effect on the net assets or the distributable earnings of the Fund.

NOTE 10—Share Information

	Summary of Share Activity			
	Years ended December 31 ,			
	2018[a]		2017	
	Shares	Amount	Shares	Amount
Sold:				
Series I	3,593,416	$ 40,500,688	4,245,551	$ 49,001,619
Series II	1,057,433	11,758,788	1,931,968	22,005,900
Issued as reinvestment of dividends:				
Series I	594,971	6,550,635	632,952	7,221,984
Series II	351,007	3,832,997	343,270	3,882,382
Reacquired:				
Series I	(7,180,556)	(80,399,602)	(7,906,368)	(90,778,075)
Series II	(2,482,818)	(27,534,952)	(2,048,051)	(23,351,403)
Net increase (decrease) in share activity	(4,066,547)	$(45,291,446)	(2,800,678)	$(32,017,593)

[a] There are entities that are record owners of more than 5% of the outstanding shares of the Fund and in the aggregate own 80% of the outstanding shares of the Fund. The Fund and the Fund's principal underwriter or adviser, are parties to participation agreements with these entities whereby these entities sell units of interest in separate accounts funding variable products that are invested in the Fund. The Fund, Invesco and/or Invesco affiliates may make payments to these entities, which are considered to be related to the Fund, for providing services to the Fund, Invesco and/or Invesco affiliates including but not limited to services such as, securities brokerage, third party record keeping and account servicing and administrative services. The Fund has no knowledge as to whether all or any portion of the shares owned of record by these entities are also owned beneficially.

NOTE 11—Financial Highlights

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

	Net asset value, beginning of period	Net investment income[(a)]	Net gains (losses) on securities (both realized and unrealized)	Total from investment operations	Dividends from net investment income	Net asset value, end of period	Total return[(b)]	Net assets, end of period (000's omitted)	Ratio of expenses to average net assets with fee waivers and/or expenses absorbed	Ratio of expenses to average net assets without fee waivers and/or expenses absorbed	Ratio of net investment income to average net assets	Portfolio turnover[(c)]
Series I												
Year ended 12/31/18	$11.41	$0.25	$(0.19)	$0.06	$(0.25)	$11.22	0.56%	$279,476	0.69%[(d)]	0.69%[(d)]	2.25%[(d)]	25%
Year ended 12/31/17	11.44	0.22	(0.01)	0.21	(0.24)	11.41	1.87	318,298	0.70	0.70	1.97	35
Year ended 12/31/16	11.52	0.23	(0.07)	0.16	(0.24)	11.44	1.32	353,614	0.73	0.73	1.93	31
Year ended 12/31/15	11.74	0.17	(0.13)	0.04	(0.26)	11.52	0.34	393,090	0.77	0.77	1.44	59
Year ended 12/31/14	11.64	0.16	0.32	0.48	(0.38)	11.74	4.14	474,556	0.78	0.78	1.36	55
Series II												
Year ended 12/31/18	11.31	0.22	(0.19)	0.03	(0.22)	11.12	0.29	191,725	0.94[(d)]	0.94[(d)]	2.00[(d)]	25
Year ended 12/31/17	11.33	0.19	(0.00)	0.19	(0.21)	11.31	1.72	207,086	0.95	0.95	1.72	35
Year ended 12/31/16	11.42	0.20	(0.08)	0.12	(0.21)	11.33	1.00	205,010	0.98	0.98	1.68	31
Year ended 12/31/15	11.64	0.14	(0.13)	0.01	(0.23)	11.42	0.06	195,392	1.02	1.02	1.19	59
Year ended 12/31/14	11.54	0.13	0.31	0.44	(0.34)	11.64	3.88	212,788	1.03	1.03	1.11	55

(a) Calculated using average shares outstanding.
(b) Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Total returns are not annualized for periods less than one year, if applicable, and do not reflect charges assessed in connection with a variable product, which if included would reduce total returns.
(c) Portfolio turnover is calculated at the fund level and is not annualized for periods less than one year, if applicable.
(d) Ratios are based on average daily net assets (000's omitted) of $299,983 and $197,977 for Series I and Series II shares, respectively.

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Invesco V.I. Government Securities Fund (one of the funds constituting AIM Variable Insurance Funds (Invesco Variable Insurance Funds), hereafter referred to as the "Fund") as of December 31, 2018, the related statement of operations for the year ended December 31, 2018, the statement of changes in net assets for each of the two years in the period ended December 31, 2018, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2018 (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, 2018, 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, 2018 and the financial highlights for each of the five years in the period ended December 31, 2018 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, 2018 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

Houston, TX
February 14, 2019

We have served as the auditor of one or more of the investment companies in the Invesco group of investment companies since at least 1995. We have not been able to determine the specific year we began serving as auditor.

Calculating your ongoing Fund expenses

Example

As a shareholder of the Fund, you incur ongoing costs, including management fees; distribution and/or service fees (12b-1); and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with ongoing costs of investing in other mutual funds. The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period July 1, 2018 through December 31, 2018.

The actual and hypothetical expenses in the examples below do not represent the effect of any fees or other expenses assessed in connection with a variable product; if they did, the expenses shown would be higher while the ending account values shown would be lower.

Actual expenses

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

Hypothetical example for comparison purposes

The table below also provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return.

The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs. Therefore, the hypothetical information is useful in comparing ongoing costs, and will not help you determine the relative total costs of owning different funds.

		ACTUAL		HYPOTHETICAL (5% annual return before expenses)		
Class	Beginning Account Value (07/01/18)	Ending Account Value (12/31/18)[1]	Expenses Paid During Period[2]	Ending Account Value (12/31/18)	Expenses Paid During Period[2]	Annualized Expense Ratio
Series I	$1,000.00	$1,012.70	$3.50	$1,021.73	$3.52	0.69%
Series II	1,000.00	1,011.90	4.77	1,020.47	4.79	0.94

1 The actual ending account value is based on the actual total return of the Fund for the period July 1, 2018 through December 31, 2018, after actual expenses and will differ from the hypothetical ending account value which is based on the Fund's expense ratio and a hypothetical annual return of 5% before expenses.

2 Expenses are equal to the Fund's annualized expense ratio as indicated above multiplied by the average account value over the period, multiplied by 184/365 to reflect the most recent fiscal half year.

Tax Information

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

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

The Fund designates the following amounts or, if subsequently determined to be different, the maximum amount allowable for its fiscal year ended December 31, 2018:

Federal and State Income Tax	
Corporate Dividends Received Deduction*	0.00%
U.S. Treasury Obligations*	33.22%

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

Trustees and Officers

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

Name , Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Interested Persons				
Martin L. Flanagan[1] – 1960 Trustee	2007	Executive Director, Chief Executive Officer and President, Invesco Ltd. (ultimate parent of Invesco and a global investment management firm); Trustee, The Invesco Funds; Vice Chair, Investment Company Institute; and Member of Executive Board, SMU Cox School of Business Formerly: Advisor to the Board, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.); Chairman and Chief Executive Officer, Invesco Advisers, Inc. (registered investment adviser); Director, Chairman, Chief Executive Officer and President, Invesco Holding Company (US), Inc. (formerly IVZ Inc.) (holding company), Invesco Group Services, Inc. (service provider) and Invesco North American Holdings, Inc. (holding company); Director, Chief Executive Officer and President, Invesco Holding Company Limited (parent of Invesco and a global investment management firm); Director, Invesco Ltd.; Chairman, Investment Company Institute and President, Co-Chief Executive Officer, Co-President, Chief Operating Officer and Chief Financial Officer, Franklin Resources, Inc. (global investment management organization)	158	None
Philip A. Taylor[2] – 1954 Trustee and Senior Vice President	2006	Head of the Americas and Senior Managing Director, Invesco Ltd.; Director, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Director and Chairman, Invesco Investment Services, Inc. (formerly known as Invesco AIM Investment Services, Inc.) (registered transfer agent); Chief Executive Officer, Invesco Corporate Class Inc. (corporate mutual fund company); Director, Chairman and Chief Executive Officer, Invesco Canada Ltd. (formerly known as Invesco Trimark Ltd./Invesco Trimark Ltèe) (registered investment adviser and registered transfer agent); Trustee and Senior Vice President, The Invesco Funds; Director, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management) Formerly: Director, Chairman, Chief Executive Officer and President, Invesco Management Group, Inc. (formerly known as Invesco AIM Management Group, Inc.) (financial services holding company); Co-Chairman, Co-President and Co-Chief Executive Officer, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Director, Chief Executive Officer and President, Van Kampen Exchange Corp; President and Principal Executive Officer, The Invesco Funds (other than AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust), Short-Term Investments Trust and Invesco Management Trust); Executive Vice President, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust), Short-Term Investments Trust and Invesco Management Trust only); Director and President, INVESCO Funds Group, Inc. (registered investment adviser and registered transfer agent); Director and Chairman, IVZ Distributors, Inc. (formerly known as INVESCO Distributors, Inc.) (registered broker dealer); Director, President and Chairman, Invesco Inc. (holding company), Invesco Canada Holdings Inc. (holding company), Trimark Investments Ltd./ Placements Trimark Ltèe and Invesco Financial Services Ltd/Services Financiers Invesco Ltèe; Chief Executive Officer, Invesco Canada Fund Inc. (corporate mutual fund company); Director and Chairman, Van Kampen Investor Services Inc.; Director, Chief Executive Officer and President, 1371 Preferred Inc. (holding company) and Van Kampen Investments Inc.; Director and President, AIM GP Canada Inc. (general partner for limited partnerships) and Van Kampen Advisors, Inc.; Director and Chief Executive Officer, Invesco Trimark Dealer Inc. (registered broker dealer); Director, Invesco Distributors, Inc. (formerly known as Invesco AIM Distributors, Inc.) (registered broker dealer); Manager, Invesco Capital Management LLC; Director, Chief Executive Officer and President, Invesco Advisers, Inc.; Director, Chairman, Chief Executive Officer and President, Invesco AIM Capital Management, Inc.; President, Invesco Trimark Dealer Inc. and Invesco Trimark Ltd./Invesco Trimark Ltèe; Director and President, AIM Trimark Corporate Class Inc. and AIM Trimark Canada Fund Inc.; Senior Managing Director, Invesco Holding Company Limited; Director and Chairman, Fund Management Company (former registered broker dealer); President and Principal Executive Officer, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust), and Short-Term Investments Trust only); President, AIM Trimark Global Fund Inc. and AIM Trimark Canada Fund Inc.	158	None

1 Mr. Flanagan is considered an interested person (within the meaning of Section 2(a)(19) of the 1940 Act) of the Trust because he is an officer of the Adviser to the Trust, and an officer and a director of Invesco Ltd., ultimate parent of the Adviser.

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

Trustees and Officers–(continued)

Name , Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Independent Trustees				
Bruce L. Crockett – 1944 Trustee and Chair	1993	Chairman, Crockett Technologies Associates (technology consulting company) Formerly: Director, Captaris (unified messaging provider); Director, President and Chief Executive Officer, COMSAT Corporation; Chairman, Board of Governors of INTELSAT (international communications company); ACE Limited (insurance company); Independent Directors Council and Investment Company Institute: Member of the Audit Committee, Investment Company Institute; Member of the Executive Committee and Chair of the Governance Committee, Independent Directors Council	158	Director and Chairman of the Audit Committee, ALPS (Attorneys Liability Protection Society) (insurance company); Director and Member of the Audit Committee and Compensation Committee, Ferroglobe PLC (metallurgical company)
David C. Arch – 1945 Trustee	2010	Chairman of Blistex Inc. (consumer health care products manufacturer); Member, World Presidents' Organization	158	Board member of the Illinois Manufacturers' Association
Jack M. Fields – 1952 Trustee	1997	Chief Executive Officer, Twenty First Century Group, Inc. (government affairs company); and Chairman, Discovery Learning Alliance (non-profit) Formerly: Owner and Chief Executive Officer, Dos Angeles Ranch L.P. (cattle, hunting, corporate entertainment); Director, Insperity, Inc. (formerly known as Administaff) (human resources provider); Chief Executive Officer, Texana Timber LP (sustainable forestry company); Director of Cross Timbers Quail Research Ranch (non-profit); and member of the U.S. House of Representatives	158	None
Cynthia Hostetler – 1962 Trustee	2017	Non-Executive Director and Trustee of a number of public and private business corporations Formerly: Director, Aberdeen Investment Funds (4 portfolios); Head of Investment Funds and Private Equity, Overseas Private Investment Corporation; President, First Manhattan Bancorporation, Inc.; Attorney, Simpson Thacher & Bartlett LLP	158	Vulcan Materials Company (construction materials company); Trilinc Global Impact Fund; Genesse Wyoming, Inc. (railroads); Artio Global Investment LLC (mutual fund complex); Edgen Group, Inc. (specialized energy and infrastructure products distributor); Investment Company Institute (professional organization); Independent Directors Council (professional organization)
Eli Jones – 1961 Trustee	2016	Professor and Dean, Mays Business School – Texas A&M University Formerly: Professor and Dean, Walton College of Business, University of Arkansas and E.J. Ourso College of Business, Louisiana State University; Director, Arvest Bank	158	Insperity, Inc. (formerly known as Administaff) (human resources provider)
Prema Mathai-Davis – 1950 Trustee	1998	Retired Co-Owner & Partner of Quantalytics Research, LLC, (a FinTech Investment Research Platform for the Self-Directed Investor)	158	None
Teresa M. Ressel – 1962 Trustee	2017	Non-executive director and trustee of a number of public and private business corporations Formerly: Chief Financial Officer, Olayan America, The Olayan Group (international investor/commercial/industrial); Chief Executive Officer, UBS Securities LLC; Group Chief Operating Officer, Americas, UBS AG; Assistant Secretary for Management & Budget and CFO, US Department of the Treasury	158	Atlantic Power Corporation (power generation company); ON Semiconductor Corp. (semiconductor supplier)
Ann Barnett Stern – 1957 Trustee	2017	President and Chief Executive Officer, Houston Endowment Inc. (private philanthropic institution) Formerly: Executive Vice President and General Counsel, Texas Children's Hospital; Attorney, Beck, Redden and Secrest, LLP; Business Law Instructor, University of St. Thomas; Attorney, Andrews & Kurth LLP	158	Federal Reserve Bank of Dallas
Raymond Stickel, Jr. – 1944 Trustee	2005	Retired Formerly: Director, Mainstay VP Series Funds, Inc. (25 portfolios); Partner, Deloitte & Touche	158	None
Robert C. Troccoli – 1949 Trustee	2016	Adjunct Professor, University of Denver – Daniels College of Business Formerly: Senior Partner, KPMG LLP	158	None
Christopher L. Wilson – 1957 Trustee	2017	Non-executive director and trustee of a number of public and private business corporations Formerly: Director, TD Asset Management USA Inc. (mutual fund complex) (22 portfolios); Managing Partner, CT2, LLC (investing and consulting firm); President/Chief Executive Officer, Columbia Funds, Bank of America Corporation; President/Chief Executive Officer, CDC IXIS Asset Management Services, Inc.; Principal & Director of Operations, Scudder Funds, Scudder, Stevens & Clark, Inc.; Assistant Vice President, Fidelity Investments	158	ISO New England, Inc. (non-profit organization managing regional electricity market)

Trustees and Officers–(continued)

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Other Officers				
Sheri Morris – 1964 President, Principal Executive Officer and Treasurer	1999	President, Principal Executive Officer and Treasurer, The Invesco Funds; Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); and Vice President, Invesco Exchange-Traded Fund Trust, Invesco Exchange-Traded Fund Trust II, Invesco India Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Commodity Fund Trust and Invesco Exchange-Traded Self-Indexed Fund Trust Formerly: Vice President and Principal Financial Officer, The Invesco Funds; Vice President, Invesco AIM Advisers, Inc., Invesco AIM Capital Management, Inc. and Invesco AIM Private Asset Management, Inc.; Assistant Vice President and Assistant Treasurer, The Invesco Funds and Assistant Vice President, Invesco Advisers, Inc., Invesco AIM Capital Management, Inc. and Invesco AIM Private Asset Management, Inc.; and Treasurer, Invesco Exchange-Traded Fund Trust, Invesco Exchange-Traded Fund Trust II, Invesco India Exchange-Traded Fund Trust and Invesco Actively Managed Exchange-Traded Fund Trust	N/A	N/A
Russell C. Burk – 1958 Senior Vice President and Senior Officer	2005	Senior Vice President and Senior Officer, The Invesco Funds	N/A	N/A
Jeffrey H. Kupor – 1968 Senior Vice President, Chief Legal Officer and Secretary	2018	Head of Legal of the Americas; Senior Vice President and Secretary, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Senior Vice President and Secretary, Invesco Distributors, Inc. (formerly known as Invesco AIM Distributors, Inc.); Vice President and Secretary, Invesco Investment Services, Inc. (formerly known as Invesco AIM Investment Services, Inc.) Senior Vice President, Chief Legal Officer and Secretary, The Invesco Funds; Secretary and General Counsel, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management); Secretary and General Counsel, Invesco Capital Markets, Inc. (formerly known as Van Kampen Funds Inc.) and Chief Legal Officer, Invesco Exchange-Traded Fund Trust, Invesco Exchange-Traded Fund Trust II, Invesco India Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Commodity Fund Trust and Invesco Exchange-Traded Self-Indexed Fund Trust; Secretary, Invesco Indexing LLC; Secretary, W.L. Ross & Co., LLC; Secretary and Vice President, Jemstep, Inc. Formerly: Head of Legal, Worldwide Institutional; Secretary and General Counsel, INVESCO Private Capital Investments, Inc.; Senior Vice President, Secretary and General Counsel, Invesco Management Group, Inc. (formerly known as Invesco AIM Management Group, Inc.); Assistant Secretary, INVESCO Asset Management (Bermuda) Ltd.; Secretary and General Counsel, Invesco Private Capital, Inc.; Assistant Secretary and General Counsel, INVESCO Realty, Inc.; Secretary and General Counsel, Invesco Senior Secured Management, Inc.; and Secretary, Sovereign G./P. Holdings Inc.	N/A	N/A
John M. Zerr – 1962 Senior Vice President	2006	Chief Operating Officer of the Americas; Senior Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Senior Vice President, Invesco Distributors, Inc. (formerly known as Invesco AIM Distributors, Inc.); Director and Vice President, Invesco Investment Services, Inc. (formerly known as Invesco AIM Investment Services, Inc.) Senior Vice President, The Invesco Funds; Managing Director, Invesco Capital Management LLC; Director, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management); Senior Vice President, Invesco Capital Markets, Inc. (formerly known as Van Kampen Funds Inc.); Manager, Invesco Indexing LLC Formerly: Director and Senior Vice President, Invesco Management Group, Inc. (formerly known as Invesco AIM Management Group, Inc.); Secretary and General Counsel, Invesco Management Group, Inc. (formerly known as Invesco AIM Management Group, Inc.); Secretary, Invesco Investment Services, Inc. (formerly known as Invesco AIM Investment Services, Inc.); Chief Legal Officer and Secretary, The Invesco Funds; Secretary and General Counsel, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management); Secretary and General Counsel, Invesco Capital Markets, Inc. (formerly known as Van Kampen Funds Inc.); Chief Legal Officer, Invesco Exchange-Traded Fund Trust, Invesco Exchange-Traded Fund Trust II, Invesco India Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Commodity Fund Trust and Invesco Exchange-Traded Self-Indexed Fund Trust; Secretary, Invesco Indexing LLC; Director, Secretary, General Counsel and Senior Vice President, Van Kampen Exchange Corp.; Director, Vice President and Secretary, IVZ Distributors, Inc. (formerly known as INVESCO Distributors, Inc.); Director and Vice President, INVESCO Funds Group, Inc.; Director and Vice President, Van Kampen Advisors Inc.; Director, Vice President, Secretary and General Counsel, Van Kampen Investor Services Inc.; Director and Secretary, Invesco Distributors, Inc. (formerly known as Invesco AIM Distributors, Inc.); Director, Senior Vice President, General Counsel and Secretary, Invesco AIM Advisers, Inc. and Van Kampen Investments Inc.; Director, Vice President and Secretary, Fund Management Company; Director, Senior Vice President, Secretary, General Counsel and Vice President, Invesco AIM Capital Management, Inc.; Chief Operating Officer and General Counsel, Liberty Ridge Capital, Inc. (an investment adviser)	N/A	N/A

Trustees and Officers–(continued)

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Other Officers—(continued)				
Gregory G. McGreevey – 1962 Senior Vice President	2012	Senior Managing Director, Invesco Ltd.; Director, Chairman, President, and Chief Executive Officer, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Director, Invesco Mortgage Capital, Inc. and Invesco Senior Secured Management, Inc.; and Senior Vice President, The Invesco Funds Formerly: Senior Vice President, Invesco Management Group, Inc. and Invesco Advisers, Inc.; Assistant Vice President, The Invesco Funds	N/A	N/A
Kelli Gallegos – 1970 Vice President, Principal Financial Officer and Assistant Treasurer	2008	Vice President and Treasurer, Invesco Exchange-Traded Fund Trust, Invesco Exchange-Traded Fund Trust II, Invesco India Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Commodity Fund Trust and Invesco Exchange-Traded Self-Indexed Fund Trust; Vice President, Principal Financial Officer and Assistant Treasurer, The Invesco Funds; Principal Financial and Accounting Officer – Pooled Investments, Invesco Capital Management LLC Formerly: Assistant Treasurer, Invesco Exchange-Traded Fund Trust, Invesco Exchange-Traded Fund Trust II, Invesco India Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Commodity Fund Trust and Invesco Exchange-Traded Self-Indexed Fund Trust; Assistant Treasurer, Invesco Capital Management LLC; Assistant Vice President, The Invesco Funds	N/A	N/A
Tracy Sullivan – 1962 Vice President, Chief Tax Officer and Assistant Treasurer	2008	Vice President, Chief Tax Officer and Assistant Treasurer, The Invesco Funds; Assistant Treasurer, Invesco Capital Management LLC, Invesco Exchange-Traded Fund Trust, Invesco Exchange-Traded Fund Trust II, Invesco India Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Commodity Fund Trust and Invesco Exchange-Traded Self-Indexed Fund Trust Formerly: Assistant Vice President, The Invesco Funds	N/A	N/A
Crissie M. Wisdom – 1969 Anti-Money Laundering Compliance Officer	2013	Anti-Money Laundering Compliance Officer, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser), Invesco Capital Markets, Inc. (formerly known as Van Kampen Funds Inc.), Invesco Distributors, Inc., Invesco Investment Services, Inc., The Invesco Funds, and Invesco Exchange-Traded Fund Trust, Invesco Exchange-Traded Fund Trust II, Invesco India Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Commodity Fund Trust and Invesco Exchange-Traded Self-Indexed Fund Trust; Anti-Money Laundering Compliance Officer and Bank Secrecy Act Officer, INVESCO National Trust Company and Invesco Trust Company; and Fraud Prevention Manager and Controls and Risk Analysis Manager for Invesco Investment Services, Inc. Formerly: Anti-Money Laundering Compliance Officer, Van Kampen Exchange Corp. and Invesco Management Group, Inc.	N/A	N/A
Robert R. Leveille – 1969 Chief Compliance Officer	2016	Chief Compliance Officer, Invesco Advisers, Inc. (registered investment adviser); and Chief Compliance Officer, The Invesco Funds Formerly: Chief Compliance Officer, Putnam Investments and the Putnam Funds	N/A	N/A

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

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

Counsel to the Fund
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2005 Market Street, Suite 2600
Philadelphia, PA 19103-7018

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

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

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

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

Auditors
PricewaterhouseCoopers LLP
1000 Louisiana Street, Suite 5800
Houston, TX 77002-5021

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

Invesco V.I. Growth and Income Fund

The Fund provides a complete list of its holdings four times in each fiscal year, at the quarter-ends. For the second and fourth quarters, the lists appear in the Fund's semi-annual and annual reports to shareholders. For the first and third quarters, the Fund files the lists with the Securities and Exchange Commission (SEC) on Form N-Q (or any successor Form). The Fund's Form N-Q (or any successor Form) filings are available on the SEC website, sec.gov. The SEC file numbers for the Fund are 811-07452 and 033-57340. The Fund's most recent portfolio holdings, as filed on Form N-Q (or any successor Form), have also been made available to insurance companies issuing variable annuity contracts and variable life insurance policies ("variable products") that invest in the Fund.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge, upon request, from our Client Services department at 800 959 4246 or at invesco.com/proxyguidelines. The information is also available on the SEC website, sec.gov.

Information regarding how the Fund voted proxies related to its portfolio securities during the most recent 12-month period ended June 30 is available at invesco.com/proxysearch. The information is also available on the SEC website, sec.gov.

Invesco Advisers, Inc. is an investment adviser; it provides investment advisory services to individual and institutional clients and does not sell securities. Invesco Distributors, Inc. is the US distributor for Invesco Ltd.'s retail mutual funds, exchange-traded funds and institutional money market funds. Both are wholly owned, indirect subsidiaries of Invesco Ltd.

This report must be accompanied or preceded by a currently effective Fund prospectus and variable product prospectus, which contain more complete information, including sales charges and expenses. Investors should read each carefully before investing.

Invesco Distributors, Inc. VK-VIGRI-AR-1 02152019 1212

Management's Discussion of Fund Performance

Performance summary

For the year ended December 31, 2018, Series I shares of Invesco V.I. Growth and Income Fund (the Fund) underperformed the Russell 1000 Value Index, the Fund's style-specific benchmark.

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

Fund vs. Indexes

Total returns, 12/31/17 to 12/31/18, excluding variable product issuer charges. If variable product issuer charges were included, returns would be lower.

Series I Shares	-13.38%
Series II Shares	-13.59
S&P 500 Index▼ (Broad Market Index)	-4.38
Russell 1000 Value Index■ (Style-Specific Index)	-8.27
Lipper VUF Large-Cap Value Funds Index◆ (Peer Group Index)	-9.47

Source(s): ▼FactSet Research Systems Inc.; ■RIMES Technologies Corp.; ◆Lipper Inc.

Market conditions and your Fund

Calendar year 2018 proved to be an increasingly volatile time for US equities. In January 2018, US equity markets steadily moved higher, as investors remained enthused about the passage of the Tax Cuts and Jobs Act signed into law in late December 2017. However, in February 2018, volatility returned to the US stock and bond markets. Worries about how rising interest rates might affect economic growth, concerns about a potential trade war and heightened geopolitical tensions, caused the US stock markets to pull back and volatility to increase.

US equity markets generally recovered in the second quarter of 2018 as strong US retail sales and low unemployment buoyed markets. Throughout the summer, US equities moved higher as corporate profits surged. Several US equity indexes reached new highs despite potential headwinds including trade tensions, tariff announcements and contagion concerns over a Turkish currency crisis. After a relatively quiet summer, market volatility noticeably rose in October, as US equity markets suffered a sharp sell-off through year-end, amid rising interest rates and concerns that higher inflation could mean a more restrictive monetary policy. In this environment, there was a flight to safety, as investors fled to defensive areas of the equities markets, like health care and utilities, and US Treasuries.

Given signs of a strong economy, the US Federal Reserve raised interest rates four times during the year: in March, June, September and December 2018. Following December's Federal Reserve meeting, Chairman Jerome Powell raised interest rates for the fourth time in 2018 by 25 basis points to a targeted range of 2.25% to 2.50%, and lowered guidance from three to two rate hikes in 2019, signaling a slightly more dovish stance than expected.[1] In contrast, the European Central Bank and central banks in several other countries maintained extraordinarily accommodative monetary policies.

During the year, nine of the 11 sectors within the Russell 1000 Value Index posted negative returns. The industrials and energy sectors were the weakest-performing sectors, posting double-digit losses, while health care and utilities were the only sectors with positive returns.

Stock selection in the industrials sector was a large contributor to the Fund's performance relative to its style-specific benchmark for the year. **CSX Corporation**, a rail-based transportation services firm, was one of the top contributors within the sector. The company reported strong earnings and revenues in July 2018 as it benefited from improved profit margins and a lower tax rate. Lack of exposure to General Electric was also a large contributor to the Fund's relative performance, as the stock performed poorly for the year.

Stock selection in the materials sector also contributed to the Fund's performance relative to its style-specific benchmark for the year. Notably, **The Mosaic Company**, a potash and phosphate supplier, was a contributor. An upbeat earnings outlook, healthy prospects from the Vale Fertilizantes (not a Fund holding) buyout, along with strong demand and pricing fundamentals for crop nutrients contributed to the company's strong performance.

Stock selection in information technology (IT) also boosted the Fund's performance versus the style-specific benchmark for the year. Within IT, **QUALCOMM** and **Oracle** were key contributors. During the third quarter, QUALCOMM reported better-than-expected earnings and announced a share repurchase plan totaling $30 billion after the company terminated its plan to purchase NXP Semiconductors (not a Fund holding).

During the year, a large driver of the Fund's underperformance relative to the style-specific benchmark was stock selection within the financials sector – notably within banks and capital markets. Financials were negatively impacted by the flattening yield curve and subsequent concerns over a recession due to a slowing economy. Within the sector, **Citigroup**, **Morgan Stanley** and **State**

Portfolio Composition

By sector	*% of total net assets*
Financials	29.1%
Health Care	16.7
Energy	12.9
Information Technology	10.3
Consumer Discretionary	7.7
Industrials	6.2
Consumer Staples	5.3
Communication Services	3.2
Materials	2.6
Utilities	1.2
Money Market Funds Plus Other Assets Less Liabilities	4.8

Top 10 Equity Holdings*

	% of total net assets
1. Citigroup Inc.	3.9%
2. Bank of America Corp.	3.6
3. Johnson & Johnson	3.0
4. JPMorgan Chase & Co.	3.0
5. American International Group, Inc.	2.7
6. General Motors Co.	2.4
7. CVS Health Corp.	2.4
8. Carnival Corp.	2.3
9. Intel Corp.	2.3
10. Morgan Stanley	2.2

Total Net Assets	$1.3 billion
Total Number of Holdings*	65

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

*Excluding money market fund holdings.

Data presented here are as of December 31, 2018.

Street were key detractors. At the close of the year, we still believed that large banks and capital markets were attractively valued, had strong balance sheets and the potential for future growth as they continued to return high levels of capital to shareholders in the form of stock buybacks and dividends.

Stock selection in and an overweight allocation to the energy sector also dampened the Fund's performance relative to its style-specific benchmark for the year. Oil prices declined sharply during the fourth quarter, falling from roughly $75 per barrel in early October to the mid $40s per barrel in late December.[2] In our view, oil prices fell as a result of increased production from Saudi Arabia and President Trump providing waivers on Iran sanctions, which allowed select countries to import oil and increased US production. As energy stocks fell in tandem during the year, a number of the Fund's largest individual detractors came from the sector including **Devon Energy**, **Canadian Natural Resources**, **Apache** and **TechnipFMC**.

The Fund's material underweight exposure, relative to the style-specific benchmark, in more defensive areas, such as the communication services, consumer staples and utilities sectors also detracted from its relative returns for the year. At the close of the year, we maintained underweight exposure in these sectors, as we believed valuations and fundamentals were unattractive.

We used currency forward contracts during the year for the purpose of hedging currency exposure of non-US-based companies held in the Fund. Derivatives were used solely for the purpose of hedging and not for speculative purposes or leverage. The use of currency forward contracts had a positive impact on the Fund's performance relative to the Russell 1000 Value Index for the year.

At the end of the year, the Fund's largest overweight exposures relative to the style-specific benchmark were in the financials and energy sectors, while the largest underweight exposures were in the real estate and utilities sectors.

Thank you for your investment in Invesco V.I. Growth and Income Fund and for sharing our long-term investment horizon.

1 Source: US Federal Reserve
2 Source: Bloomberg

The views and opinions expressed in management's discussion of Fund performance are those of Invesco Advisers, Inc. These views and opinions are subject to change at any time based on factors such as market and economic conditions. These views and opinions may not be relied upon as investment advice or recommendations, or as an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but Invesco Advisers, Inc. makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

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

Thomas Bastian
Chartered Financial Analyst, Portfolio Manager, is lead manager of Invesco V.I. Growth and Income Fund. He joined Invesco in 2010. Mr. Bastian earned a BA in accounting from St. John's University and an MBA in finance from the University of Michigan.

Brian Jurkash
Portfolio Manager, is lead manager of Invesco V.I. Growth and Income Fund. He joined Invesco in 2000. Mr. Jurkash earned a BBA degree in finance from Stephen F. Austin State University and an MBA in finance from the University of Houston.

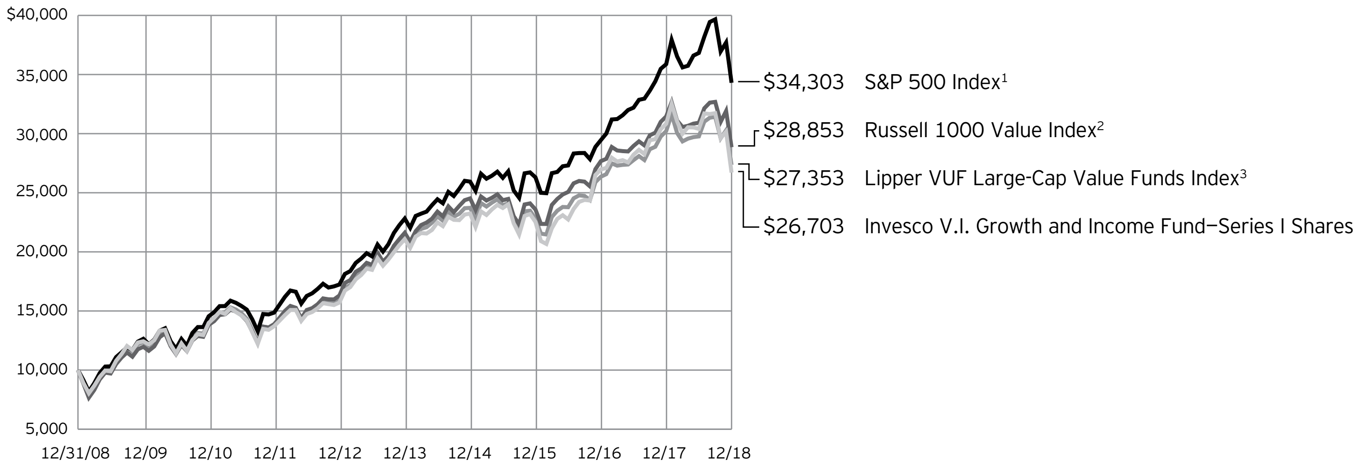
Matthew Titus
Chartered Financial Analyst, Portfolio Manager, is lead manager of Invesco V.I. Growth and Income Fund. He joined Invesco in 2016. Mr. Titus earned a bachelor's degree in accounting and economics from Luther College in Decorah, Iowa, and an MBA from Ohio State University.

Sergio Marcheli
Portfolio Manager, is manager of Invesco V.I. Growth and Income Fund. He joined Invesco in 2010. Mr. Marcheli earned a BBA from the University of Houston and an MBA from the University of St. Thomas.

Your Fund's Long-Term Performance

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

Fund and index data from 12/31/08



1 Source: FactSet Research Systems Inc.
2 Source: RIMES Technologies Corp.
3 Source: Lipper Inc.

Past performance cannot guarantee comparable future results.

Average Annual Total Returns *As of 12/31/18*	
Series I Shares	
Inception (12/23/96)	8.14%
10 Years	10.32
5 Years	4.85
1 Year	-13.38
Series II Shares	
Inception (9/18/00)	5.84%
10 Years	10.05
5 Years	4.58
1 Year	-13.59

Effective June 1, 2010, Class I and Class II shares of the predecessor fund, Van Kampen Life Investment Trust Growth and Income Portfolio, advised by Van Kampen Asset Management were reorganized into Series I and Series II shares, respectively, of Invesco Van Kampen V.I. Growth and Income Fund (renamed Invesco V.I. Growth and Income Fund on April 29, 2013). Returns shown above, prior to June 1, 2010, for Series I and Series II shares are blended returns of the predecessor fund and Invesco V.I. Growth and Income Fund. Share class returns will differ from the predecessor fund because of different expenses.

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

The total annual Fund operating expense ratio set forth in the most recent Fund prospectus as of the date of this report for Series I and Series II shares was 0.76% and 1.01%, respectively. The expense ratios presented above may vary from the expense ratios presented in other sections of this report that are based on expenses incurred during the period covered by this report.

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

The most recent month-end performance at the Fund level, excluding variable product charges, is available at 800 451 4246. As mentioned above, for the most recent month-end performance including variable product charges, please contact your variable product issuer or financial adviser.

Fund performance reflects any applicable fee waivers and/or expense reimbursements. Had the adviser not waived fees and/or reimbursed expenses currently or in the past, returns would have been lower. See current prospectus for more information.

Invesco V.I. Growth and Income Fund's investment objective is to seek long-term growth of capital and income.

- Unless otherwise stated, information presented in this report is as of December 31, 2018, and is based on total net assets.
- Unless otherwise noted, all data provided by Invesco.

Principal risks of investing in the Fund

Convertible securities risk. The market values of convertible securities are affected by market interest rates, the risk of actual issuer default on interest or principal payments and the value of the underlying common stock into which the convertible security may be converted. Additionally, a convertible security is subject to the same types of market and issuer risks as apply to the underlying common stock. In addition, certain convertible securities are subject to involuntary conversions and may undergo principal write-downs upon the occurrence of certain triggering events, and, as a result, are subject to an increased risk of loss. Convertible securities may be rated below investment grade.

Depositary receipts risk. Investing in depositary receipts involves the same risks as direct investments in foreign securities. In addition, the underlying issuers of certain depositary receipts are under no obligation to distribute shareholder communications or pass through any voting rights with respect to the deposited securities to the holders of such receipts. The Fund may therefore receive less timely information or have less control than if it invested directly in the foreign issuer.

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

Foreign securities risk. The Fund's foreign investments may be adversely affected by political and social instability, changes in economic or taxation policies, difficulty in enforcing obligations, decreased liquidity or increased volatility. Foreign investments also involve the risk of the possible seizure, nationalization or expropriation of the issuer or foreign deposits (in which the Fund could lose its entire investments in a certain market) and the possible adoption of foreign governmental restrictions such as exchange controls. Unless the Fund has hedged its foreign securities risk, foreign securities risk also involves the risk of negative foreign currency rate fluctuations, which may cause the value of securities denominated in such foreign currency (or other instruments through which the Fund has exposure to foreign currencies) to decline in value. Currency exchange rates may fluctuate significantly over short periods of time. Currency hedging strategies, if used, are not always successful.

Management risk. The Fund is actively managed and depends heavily on the Adviser's judgment about markets, interest rates or the attractiveness, relative values, liquidity, or potential appreciation of particular investments made for the Fund's portfolio. The Fund could experience losses if these judgments prove to be incorrect. Additionally, legislative, regulatory, or tax developments may adversely affect management of the Fund and, therefore, the ability of the Fund to achieve its investment objective.

Market risk. The market values of the Fund's investments, and therefore the value of the Fund's shares, will go up and down, sometimes rapidly or unpredictably. Market risk may affect a single issuer, industry or section of the economy, or it may affect the market as a whole. Individual stock prices tend to go up and down more dramatically than those of certain other types of investments, such as bonds. During a general downturn in the financial markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that specific investments held by the Fund will rise in value.

REIT risk/real estate risk. Investments in real estate related instruments may be affected by economic, legal, cultural, environmental or technological factors that affect property values, rents or occupancies of real estate related to the Fund's holdings. Shares of real estate related companies, which tend to be small- and mid-cap companies, may be more volatile and less liquid.

Sector focus risk. The Fund may from time to time invest a significant amount of its assets (i.e. over 25%) in one market sector or group of related industries. In this event, the Fund's performance will depend to a greater extent on the overall condition of the sector or group of industries and there is increased risk that the Fund will lose significant value if conditions adversely affect that sector or group of industries.

Small- and mid-capitalization companies risks. Small- and mid-capitalization companies tend to be more vulnerable to changing market conditions, may have little or no operating history or track record of success, and may have more limited product lines and markets, less experienced management and fewer financial resources than larger companies. These companies' securities may be more volatile and less liquid than those of more established companies, and their returns may vary, sometimes significantly, from the overall securities market.

Value investing style risk. A value investing style subjects the Fund to the risk that the valuations never improve or that the returns on value equity securities are less than returns on other styles of investing or the overall stock market.

About indexes used in this report

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

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

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

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

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

Other information

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

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

Schedule of Investments[(a)]

December 31, 2018

	Shares	Value
Common Stocks-95.16%		
Aerospace & Defense-1.99%		
General Dynamics Corp.	158,295	$ 24,885,557
Apparel, Accessories & Luxury Goods-0.77%		
Capri Holdings Ltd.[(b)]	254,034	9,632,969
Asset Management & Custody Banks-1.99%		
Northern Trust Corp.	94,816	7,925,669
State Street Corp.	268,665	16,944,702
		24,870,371
Automobile Manufacturers-2.42%		
General Motors Co.	906,263	30,314,497
Biotechnology-0.81%		
Celgene Corp.[(b)]	158,624	10,166,212
Broadcasting-0.69%		
CBS Corp.-Class B	197,124	8,618,261
Building Products-1.70%		
Johnson Controls International PLC	716,942	21,257,330
Cable & Satellite-2.48%		
Charter Communications, Inc.-Class A[(b)]	64,601	18,409,347
Comcast Corp.-Class A	372,260	12,675,453
		31,084,800
Communications Equipment-2.88%		
Cisco Systems, Inc.	588,893	25,516,734
Juniper Networks, Inc.	392,198	10,554,048
		36,070,782
Diversified Banks-12.46%		
Bank of America Corp.	1,802,192	44,406,011
Citigroup Inc.	941,016	48,989,293
JPMorgan Chase & Co.	381,992	37,290,059
Wells Fargo & Co.	547,779	25,241,656
		155,927,019
Diversified Chemicals-0.36%		
DowDuPont Inc.	83,419	4,461,248
Diversified Metals & Mining-0.63%		
BHP Group Ltd. (Australia)	324,457	7,822,624
Electric Utilities-1.20%		
Duke Energy Corp.	103,343	8,918,501
FirstEnergy Corp.	161,508	6,064,625
		14,983,126
Fertilizers & Agricultural Chemicals-1.60%		
Mosaic Co. (The)	388,019	11,334,035
Nutrien Ltd. (Canada)	185,307	8,709,429
		20,043,464

	Shares	Value
Food Distributors-1.35%		
US Foods Holding Corp.[(b)]	532,695	$ 16,854,470
Health Care Distributors-1.23%		
McKesson Corp.	139,325	15,391,233
Health Care Equipment-2.49%		
Medtronic PLC	158,087	14,379,594
Zimmer Biomet Holdings, Inc.	161,579	16,758,974
		31,138,568
Health Care Services-2.39%		
CVS Health Corp.	455,823	29,865,523
Home Improvement Retail-0.89%		
Kingfisher PLC (United Kingdom)	4,204,766	11,120,742
Hotels, Resorts & Cruise Lines-2.33%		
Carnival Corp.	591,834	29,177,416
Industrial Machinery-1.37%		
Ingersoll-Rand PLC	188,239	17,173,044
Insurance Brokers-2.73%		
Aon PLC	84,615	12,299,636
Willis Towers Watson PLC	144,022	21,871,181
		34,170,817
Integrated Oil & Gas-5.53%		
BP PLC (United Kingdom)	3,156,445	19,915,347
Occidental Petroleum Corp.	376,658	23,119,268
Royal Dutch Shell PLC-Class A (United Kingdom)	893,764	26,232,427
		69,267,042
Internet & Direct Marketing Retail-1.26%		
eBay Inc.[(b)]	563,941	15,829,824
Investment Banking & Brokerage-3.08%		
Goldman Sachs Group, Inc. (The)	62,878	10,503,770
Morgan Stanley	706,810	28,025,017
		38,528,787
IT Consulting & Other Services-1.19%		
Cognizant Technology Solutions Corp.-Class A	235,476	14,948,017
Managed Health Care-0.98%		
Anthem, Inc.	46,753	12,278,741
Multi-Line Insurance-2.74%		
American International Group, Inc.	870,251	34,296,592
Oil & Gas Equipment & Services-1.95%		
Schlumberger Ltd.	289,702	10,452,448
TechnipFMC PLC (United Kingdom)	712,077	13,942,468
		24,394,916

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

	Shares	Value
Oil & Gas Exploration & Production-5.38%		
Anadarko Petroleum Corp.	338,550	$ 14,842,032
Apache Corp.	336,228	8,825,985
Canadian Natural Resources Ltd. (Canada)	500,052	12,065,421
Devon Energy Corp.	761,307	17,159,860
Marathon Oil Corp.	1,011,089	14,499,016
		67,392,314
Other Diversified Financial Services-1.42%		
AXA Equitable Holdings, Inc.	430,553	7,160,096
Voya Financial, Inc.	265,683	10,664,516
		17,824,612
Packaged Foods & Meats-1.99%		
Mondelez International, Inc.-Class A	621,547	24,880,527
Pharmaceuticals-8.86%		
Bristol-Myers Squibb Co.	268,725	13,968,325
Johnson & Johnson	290,632	37,506,060
Merck & Co., Inc.	268,440	20,511,500
Novartis AG (Switzerland)	286,125	24,506,143
Sanofi (France)	166,410	14,380,992
		110,873,020
Railroads-1.11%		
CSX Corp.	223,747	13,901,401
Regional Banks-4.70%		
Citizens Financial Group, Inc.	765,576	22,760,575
Fifth Third Bancorp	562,916	13,245,413
First Horizon National Corp.	507,115	6,673,633
PNC Financial Services Group, Inc. (The)	138,090	16,144,102
		58,823,723

	Shares	Value
Semiconductors-4.17%		
Intel Corp.	620,618	$ 29,125,603
QUALCOMM Inc.	404,689	23,030,851
		52,156,454
Systems Software-2.05%		
Oracle Corp.	569,109	25,695,271
Tobacco-1.99%		
Philip Morris International Inc.	373,174	24,913,095
Total Common Stocks (Cost $1,169,320,405)		1,191,034,409
Money Market Funds-2.60%		
Invesco Government & Agency Portfolio-Institutional Class, 2.30%[c]	11,376,269	11,376,269
Invesco Liquid Assets Portfolio-Institutional Class, 2.48%[c]	8,124,168	8,124,980
Invesco Treasury Portfolio-Institutional Class, 2.30%[c]	13,001,450	13,001,450
Total Money Market Funds (Cost $32,503,333)		32,502,699
TOTAL INVESTMENTS IN SECURITIES-97.76% (Cost $1,201,823,738)		1,223,537,108
OTHER ASSETS LESS LIABILITIES-2.24%		28,028,746
NET ASSETS-100.00%		$1,251,565,854

Notes to Schedule of Investments:

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

(b) Non-income producing security.

(c) The money market fund and the Fund are affiliated by having the same investment adviser. The rate shown is the 7-day SEC standardized yield as of December 31, 2018.

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

Open Forward Foreign Currency Contracts

Settlement Date	Counterparty	Contract to Deliver		Contract to Receive		Unrealized Appreciation (Depreciation)
02/01/2019	Bank of New York Mellon (The)	AUD	4,714,851	USD	3,390,308	$ 67,433
02/01/2019	Bank of New York Mellon (The)	CAD	6,197,778	USD	4,615,391	72,100
02/01/2019	State Street Bank and Trust Co.	AUD	4,714,761	USD	3,390,974	68,162
02/01/2019	State Street Bank and Trust Co.	CAD	6,197,814	USD	4,614,765	71,447
02/01/2019	State Street Bank and Trust Co.	USD	40,827	GBP	32,184	254
Subtotal – Appreciation						279,396
02/01/2019	Bank of New York Mellon (The)	CHF	9,083,709	USD	9,203,819	(62,116)
02/01/2019	Bank of New York Mellon (The)	EUR	4,755,790	USD	5,451,277	(10,849)
02/01/2019	Bank of New York Mellon (The)	GBP	16,974,154	USD	21,529,338	(136,981)
02/01/2019	State Street Bank and Trust Co.	CHF	9,083,798	USD	9,201,578	(64,448)
02/01/2019	State Street Bank and Trust Co.	EUR	4,755,790	USD	5,452,014	(10,112)
02/01/2019	State Street Bank and Trust Co.	GBP	16,974,130	USD	21,533,721	(132,567)
02/01/2019	State Street Bank and Trust Co.	USD	1,065,357	AUD	1,491,771	(14,005)
02/01/2019	State Street Bank and Trust Co.	USD	14,386	CAD	19,305	(234)
Subtotal – Depreciation						(431,312)
Total Forward Foreign Currency Contracts – Currency Risk						$(151,916)

Abbreviations:

AUD – Australian Dollar
CAD – Canadian Dollar
CHF – Swiss Franc
EUR – Euro
GBP – British Pound Sterling
USD – U.S. Dollar

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

Statement of Assets and Liabilities

December 31, 2018

Assets:	
Investments in securities, at value (Cost $1,169,320,405)	$1,191,034,409
Investments in affiliated money market funds, at value (Cost $32,503,333)	32,502,699
Other investments:	
Unrealized appreciation on forward foreign currency contracts outstanding	279,396
Cash	300,595
Foreign currencies, at value (Cost $690,585)	693,580
Receivable for:	
Fund shares sold	26,686,233
Dividends	2,690,702
Investment for trustee deferred compensation and retirement plans	189,431
Total assets	1,254,377,045
Liabilities:	
Other investments:	
Unrealized depreciation on forward foreign currency contracts outstanding	431,312
Payable for:	
Investments purchased	224,849
Fund shares reacquired	526,825
Accrued fees to affiliates	1,356,465
Accrued trustees' and officers' fees and benefits	8,113
Accrued other operating expenses	48,510
Trustee deferred compensation and retirement plans	215,117
Total liabilities	2,811,191
Net assets applicable to shares outstanding	$1,251,565,854
Net assets consist of:	
Shares of beneficial interest	$1,043,235,513
Distributable earnings	208,330,341
	$1,251,565,854
Net Assets:	
Series I	$ 166,305,674
Series II	$1,085,260,180
Shares outstanding, no par value, with an unlimited number of shares authorized:	
Series I	9,497,126
Series II	62,090,110
Series I:	
Net asset value per share	$ 17.51
Series II:	
Net asset value per share	$ 17.48

Statement of Operations

For the year ended December 31, 2018

Investment income:	
Dividends (net of foreign withholding taxes of $682,634)	$ 41,939,357
Dividends from affiliated money market funds	853,254
Total investment income	42,792,611
Expenses:	
Advisory fees	10,183,763
Administrative services fees	3,096,869
Custodian fees	48,453
Distribution fees — Series II	4,054,543
Transfer agent fees	23,288
Trustees' and officers' fees and benefits	46,187
Reports to shareholders	7,833
Professional services fees	51,570
Other	20,258
Total expenses	17,532,764
Less: Fees waived	(57,671)
Net expenses	17,475,093
Net investment income	25,317,518
Realized and unrealized gain (loss) from:	
Net realized gain (loss) from:	
Investment securities (includes net gains from securities sold to affiliates of $130,328)	161,006,484
Foreign currencies	(489,184)
Forward foreign currency contracts	7,099,465
	167,616,765
Change in net unrealized appreciation (depreciation) of:	
Investment securities	(400,331,474)
Foreign currencies	(20,099)
Forward foreign currency contracts	2,612,089
	(397,739,484)
Net realized and unrealized gain (loss)	(230,122,719)
Net increase (decrease) in net assets resulting from operations	$(204,805,201)

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

Statement of Changes in Net Assets

For the years ended December 31, 2018 and 2017

	2018	2017
Operations:		
Net investment income	$ 25,317,518	$ 33,140,004
Net realized gain	167,616,765	170,194,828
Change in net unrealized appreciation (depreciation)	(397,739,484)	57,350,489
Net increase (decrease) in net assets resulting from operations	(204,805,201)	260,685,321
Distributions to shareholders from distributable earnings[(1)]:		
Series I	(20,657,576)	(10,115,304)
Series II	(184,183,100)	(98,273,704)
Total distributions from distributable earnings	(204,840,676)	(108,389,008)
Share transactions–net:		
Series I	25,029,084	5,625,071
Series II	(374,156,431)	(153,738,313)
Net increase (decrease) in net assets resulting from share transactions	(349,127,347)	(148,113,242)
Net increase (decrease) in net assets	(758,773,224)	4,183,071
Net assets:		
Beginning of year	2,010,339,078	2,006,156,007
End of year	$1,251,565,854	$2,010,339,078

(1) For the year ended December 31, 2017, distributions to shareholders from distributable earnings consisted of distributions from net investment income and distributions from net realized gains. The Securities and Exchange Commission eliminated the requirement to disclose the distribution components separately. For the year ended December 31, 2017, distributions from net investment income were $2,699,090 and $23,299,802 and distributions from net realized gains were $7,416,214 and $74,973,902 for Series I and Series II, respectively.

Notes to Financial Statements

December 31, 2018

NOTE 1—Significant Accounting Policies

Invesco V.I. Growth and Income Fund (the "Fund") is a series portfolio of AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"). The Trust is a Delaware statutory trust registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end series management investment company. Information presented in these financial statements pertains only to the Fund. Matters affecting the Fund or each class will be voted on exclusively by the shareholders of the Fund or each class. Current Securities and Exchange Commission ("SEC") guidance, however, requires participating insurance companies offering separate accounts to vote shares proportionally in accordance with the instructions of the contract owners whose investments are funded by shares of each Fund or class.

The Fund's investment objective is to seek long-term growth of capital and income.

The Fund currently offers two classes of shares, Series I and Series II, both of which are offered to insurance company separate accounts funding variable annuity contracts and variable life insurance policies ("variable products").

The Fund is an investment company and accordingly follows the investment company accounting and reporting guidance in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 946, *Financial Services – Investment Companies*.

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

A. Security Valuations – Securities, including restricted securities, are valued according to the following policy.

A security listed or traded on an exchange (except convertible securities) is valued at its last sales price or official closing price as of the close of the customary trading session on the exchange where the security is principally traded, or lacking any sales or official closing price on a particular day, the security may be valued at the closing bid price on that day. Securities traded in the over-the-counter market are valued based on prices furnished by independent pricing services or market makers. When such securities are valued by an independent pricing service they may be considered fair valued. Futures contracts are valued at the final settlement price set by an exchange on which they are principally traded. Listed options are valued at the mean between the last bid and asked prices from the exchange on which they are principally traded. Options not listed on an exchange are valued by an independent source at the mean between the last bid and asked prices. For purposes of determining net asset value ("NAV") per share, futures and option contracts generally are valued 15 minutes after the close of the customary trading session of the New York Stock Exchange ("NYSE").

Investments in open-end and closed-end registered investment companies that do not trade on an exchange are valued at the end-of-day net asset value per share. Investments in open-end and closed-end registered investment companies that trade on an exchange are valued at the last sales price or official closing price as of the close of the customary trading session on the exchange where the security is principally traded.

Debt obligations (including convertible securities) and unlisted equities are fair valued using an evaluated quote provided by an independent pricing service. Evaluated quotes provided by the pricing service may be determined without exclusive reliance on quoted prices, and may reflect appropriate factors such as institution-size trading in similar groups of securities, developments related to specific securities, dividend rate (for unlisted equities), yield (for debt obligations), quality, type of issue, coupon rate (for debt obligations), maturity (for debt obligations), individual trading characteristics and other market data. Pricing services generally value debt obligations assuming orderly transactions of institutional round lot size, but a fund may hold or transact in the same securities in smaller, odd lot sizes. Odd lots often trade at lower prices than institutional round lots. Debt obligations are subject to interest rate and credit risks. In addition, all debt obligations involve some risk of default with respect to interest and/or principal payments.

Foreign securities' (including foreign exchange contracts) prices are converted into U.S. dollar amounts using the applicable exchange rates as of the close of the NYSE. If market quotations are available and reliable for foreign exchange-traded equity securities, the securities will be valued at the market quotations. Because trading hours for certain foreign securities end before the close of the NYSE, closing market quotations may become unreliable. If between the time trading ends on a particular security and the close of the customary trading session on the NYSE, events occur that the investment adviser determines are significant and make the closing price unreliable, the Fund may fair value the security. If the event is likely to have affected the closing price of the security, the security will be valued at fair value in good faith using procedures approved by the Board of Trustees. Adjustments to closing prices to reflect fair value may also be based on a screening process of an independent pricing service to indicate the degree of certainty, based on historical data, that the closing price in the principal market where a foreign security trades is not the current value as of the close of the NYSE. Foreign securities' prices meeting the approved degree of certainty that the price is not reflective of current value will be priced at the indication of fair value from the independent pricing service. Multiple factors may be considered by the independent pricing service in determining adjustments to reflect fair value and may include information relating to sector indices, American Depositary Receipts and domestic and foreign index futures. Foreign securities may have additional risks including exchange rate changes, potential for sharply devalued currencies and high inflation, political and economic upheaval, the relative lack of issuer information, relatively low market liquidity and the potential lack of strict financial and accounting controls and standards.

Securities for which market prices are not provided by any of the above methods may be valued based upon quotes furnished by independent sources. The last bid price may be used to value equity securities. The mean between the last bid and asked prices is used to value debt obligations, including corporate loans.

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

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

Valuations change in response to many factors including the historical and prospective earnings of the issuer, the value of the issuer's assets, general economic conditions, interest rates, investor perceptions and market liquidity. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

B. Securities Transactions and Investment Income – Securities transactions are accounted for on a trade date basis. Realized gains or losses on sales are computed on the basis of specific identification of the securities sold. Interest income (net of withholding tax, if any) is recorded on the accrual basis from settlement date. Dividend income (net of withholding tax, if any) is recorded on the ex-dividend date.

The Fund may periodically participate in litigation related to Fund investments. As such, the Fund may receive proceeds from litigation settlements. Any proceeds received are included in the Statement of Operations as realized gain (loss) for investments no longer held and as unrealized gain (loss) for investments still held.

Brokerage commissions and mark ups are considered transaction costs and are recorded as an increase to the cost basis of securities purchased and/or a reduction of proceeds on a sale of securities. Such transaction costs are included in the determination of net realized and unrealized gain (loss) from investment securities reported in the Statement of Operations and the Statement of Changes in Net Assets and the net realized and unrealized gains (losses) on securities per share in the Financial Highlights. Transaction costs are included in the calculation of the Fund's net asset value and, accordingly, they reduce the Fund's total returns. These transaction costs are not considered operating expenses and are not reflected in net investment income reported in the Statement of Operations and the Statement of Changes in Net Assets, or the net investment income per share and the ratios of expenses and net investment income reported in the Financial Highlights, nor are they limited by any expense limitation arrangements between the Fund and the investment adviser.

The Fund allocates income and realized and unrealized capital gains and losses to a class based on the relative net assets of each class.

C. Country Determination – For the purposes of making investment selection decisions and presentation in the Schedule of Investments, the investment adviser may determine the country in which an issuer is located and/or credit risk exposure based on various factors. These factors include the laws of the country under which the issuer is organized, where the issuer maintains a principal office, the country in which the issuer derives 50% or more of its total revenues and the country that has the primary market for the issuer's securities, as well as other criteria. Among the other criteria that may be evaluated for making this determination are the country in which the issuer maintains 50% or more of its assets, the type of security, financial guarantees and enhancements, the nature of the collateral and the sponsor organization. Country of issuer and/or credit risk exposure has been determined to be the United States of America, unless otherwise noted.

D. Distributions – Distributions from net investment income and net realized capital gain, if any, are generally declared and paid to separate accounts of participating insurance companies annually and recorded on the ex-dividend date.

E. Federal Income Taxes – The Fund intends to comply with the requirements of Subchapter M of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), necessary to qualify as a regulated investment company and to distribute substantially all of the Fund's taxable earnings to shareholders. As such, the Fund will not be subject to federal income taxes on otherwise taxable income (including net realized capital gain) that is distributed to shareholders. Therefore, no provision for federal income taxes is recorded in the financial statements.

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

The Fund files tax returns in the U.S. Federal jurisdiction and certain other jurisdictions. Generally, the Fund is subject to examinations by such taxing authorities for up to three years after the filing of the return for the tax period.

F. Expenses – Fees provided for under the Rule 12b-1 plan of a particular class of the Fund and which are directly attributable to that class are charged to the operations of such class. All other expenses are allocated among the classes based on relative net assets.

G. Accounting Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period including estimates and assumptions related to taxation. Actual results could differ from those estimates by a significant amount. In addition, the Fund monitors for material events or transactions that may occur or become known after the period-end date and before the date the financial statements are released to print.

H. Indemnifications – Under the Trust's organizational documents, each Trustee, officer, employee or other agent of the Trust is indemnified against certain liabilities that may arise out of the performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts, including the Fund's servicing agreements, that contain a variety of indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. The risk of material loss as a result of such indemnification claims is considered remote.

I. Foreign Currency Translations – Foreign currency is valued at the close of the NYSE based on quotations posted by banks and major currency dealers. Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the date of valuation. Purchases and sales of portfolio securities (net of foreign taxes withheld on disposition) and income items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. The Fund does not separately account for the portion of the results of operations resulting from changes in foreign exchange rates on investments and the fluctuations arising from changes in market prices of securities held. The combined results of changes in foreign exchange rates and the fluctuation of market prices on investments (net of estimated foreign tax withholding) are included with the net realized and unrealized gain or loss from investments in the Statement of Operations. Reported net realized foreign currency gains or losses arise from (1) sales of foreign currencies, (2) currency gains or losses realized between the trade and settlement dates on securities transactions, and (3) the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign currency gains and losses arise from changes in the fair values of assets and liabilities, other than investments in securities at fiscal period end, resulting from changes in exchange rates.

The Fund may invest in foreign securities, which may be subject to foreign taxes on income, gains on investments or currency repatriation, a portion of which may be recoverable. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests and are shown in the Statement of Operations.

J. Forward Foreign Currency Contracts – The Fund may engage in foreign currency transactions either on a spot (i.e. for prompt delivery and settlement) basis, or through forward foreign currency contracts, to manage or minimize currency or exchange rate risk.

The Fund may also enter into forward foreign currency contracts for the purchase or sale of a security denominated in a foreign currency in order to "lock in" the U.S. dollar price of that security, or the Fund may also enter into forward foreign currency contracts that do not provide for physical settlement of the two currencies, but instead are settled by a single cash payment calculated as the difference between the agreed upon exchange rate and the spot rate at settlement based upon an agreed upon notional amount (non-deliverable forwards). The Fund will set aside liquid assets in an amount equal to the daily mark-to-market obligation for forward foreign currency contracts.

A forward foreign currency contract is an obligation between two parties ("Counterparties") to purchase or sell a specific currency for an agreed-upon price at a future date. The use of forward foreign currency contracts does not eliminate fluctuations in the price of the underlying securities the Fund owns or intends to acquire but establishes a rate of exchange in advance. Fluctuations in the value of these contracts are measured by the difference in the contract date and reporting date exchange rates and are recorded as unrealized appreciation (depreciation) until the contracts are closed. When the contracts are closed, realized gains (losses) are recorded. Realized and unrealized gains (losses) on the contracts are included in the Statement of Operations. The primary risks associated with forward foreign currency contracts include failure of the Counterparty to meet the terms of the contract and the value of the foreign currency changing unfavorably. These risks may be in excess of the amounts reflected in the Statement of Assets and Liabilities.

NOTE 2—Advisory Fees and Other Fees Paid to Affiliates

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

Average Daily Net Assets	Rate
First $500 million	0.60%
Over $500 million	0.55%

For the year ended December 31, 2018, the effective advisory fees incurred by the Fund was 0.56%.

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

The Adviser has contractually agreed, through at least April 30, 2020, to waive advisory fees and/or reimburse expenses of all shares to the extent necessary to limit total annual fund operating expenses after fee waiver and/or expense reimbursement (excluding certain items discussed below) of Series I shares to 0.78% and Series II shares to 1.03% of average daily net assets (the "expense limits"). In determining the Adviser's obligation to waive advisory fees and/or reimburse expenses, the following expenses are not taken into account, and could cause the total annual fund operating expenses after fee waiver and/or expense reimbursement to exceed the numbers reflected above: (1) interest; (2) taxes; (3) dividend expense on short sales; (4) extraordinary or non-routine items, including litigation expenses; and (5) expenses that the Fund has incurred but did not actually pay because of an expense offset arrangement. Unless Invesco continues the fee waiver agreement, it will terminate on April 30, 2020. During its term, the fee waiver agreement cannot be terminated or amended to increase the expense limits or reduce the advisory fee waiver without approval of the Board of Trustees. The Adviser did not waive fees and/or reimburse expenses during the period under these expense limits.

Further, the Adviser has contractually agreed, through at least June 30, 2020, to waive the advisory fee payable by the Fund in an amount equal to 100% of the net advisory fees the Adviser receives from the affiliated money market funds on investments by the Fund of uninvested cash in such affiliated money market funds.

For the year ended December 31, 2018, the Adviser waived advisory fees of $57,671.

The Trust has entered into a master administrative services agreement with Invesco pursuant to which the Fund has agreed to pay Invesco a fee for costs incurred in providing accounting services and fund administrative services to the Fund and to reimburse Invesco for fees paid to insurance companies that have agreed to provide certain administrative services to the Fund. These administrative services provided by the insurance companies may include, among other things: maintenance of master accounts with the Fund; tracking, recording and transmitting net purchase and redemption orders for Fund shares; maintaining and preserving records related to the purchase, redemption and other account activity of variable product owners; distributing copies of Fund documents such as prospectuses, proxy materials and periodic reports, to variable product owners, and responding to inquiries from variable product owners about the Fund. Pursuant to such agreement, for the year ended December 31, 2018, Invesco was paid $389,798 for accounting and fund administrative services and was reimbursed $2,707,071 for fees paid to insurance companies.

The Trust has entered into a transfer agency and service agreement with Invesco Investment Services, Inc. ("IIS") pursuant to which the Fund has agreed to pay IIS a fee for providing transfer agency and shareholder services to the Fund and reimburse IIS for certain expenses incurred by IIS in the course of providing such services. For the year ended December 31, 2018, expenses incurred under the agreement are shown in the Statement of Operations as *Transfer agent fees*.

The Trust has entered into a master distribution agreement with Invesco Distributors, Inc. ("IDI") to serve as the distributor for the Fund. The Trust has adopted a plan pursuant to Rule 12b-1 under the 1940 Act with respect to the Fund's Series II shares (the "Plan"). The Fund, pursuant to the Plan, pays IDI compensation at the annual rate of 0.25% of the Fund's average daily net assets of Series II shares. The fees are accrued daily and paid monthly. Of the Plan payments, up to 0.25% of the average daily net assets of the Series II shares may be paid to insurance companies who furnish continuing personal shareholder services to customers who purchase and own Series II shares of the Fund. For the year ended December 31, 2018, expenses incurred under the Plan are detailed in the Statement of Operations as *Distribution fees*.

For the year ended December 31, 2018, the Fund incurred $26,323 in brokerage commissions with Invesco Capital Markets, Inc., an affiliate of the Adviser and IDI, for portfolio transactions executed on behalf of the Fund.

Certain officers and trustees of the Trust are officers and directors of the Adviser, IIS and/or IDI.

NOTE 3—Additional Valuation Information

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under current market conditions. GAAP establishes a hierarchy that prioritizes the inputs to valuation methods, giving the highest priority to readily available unadjusted quoted prices in an active market for identical assets (Level 1) and the lowest priority to significant unobservable inputs (Level 3), generally when market prices are not readily available or are unreliable. Based on the valuation inputs, the securities or other investments are tiered into one of three levels. Changes in valuation methods may result in transfers in or out of an investment's assigned level:

Level 1 — Prices are determined using quoted prices in an active market for identical assets.

Level 2 — Prices are determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, yield curves, loss severities, default rates, discount rates, volatilities and others.

Level 3 — Prices are determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Fund's own assumptions about the factors market participants would use in determining fair value of the securities or instruments and would be based on the best available information.

The following is a summary of the tiered valuation input levels, as of December 31, 2018. The level assigned to the securities valuations may not be an indication of the risk or liquidity associated with investing in those securities. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

	Level 1	Level 2	Level 3	Total
Investments in Securities				
Common Stocks	$1,105,999,500	$85,034,909	$–	$1,191,034,409
Money Market Funds	32,502,699	–	–	32,502,699
Total Investments in Securities	1,138,502,199	85,034,909	–	1,223,537,108
Other Investments — Assets*				
Forward Foreign Currency Contracts	–	279,396	–	279,396
Other Investments — Liabilities*				
Forward Foreign Currency Contracts	–	(431,312)	–	(431,312)
Total Other Investments	–	(151,916)	–	(151,916)
Total Investments	$1,138,502,199	$84,882,993	$–	$1,223,385,192

* Unrealized appreciation (depreciation).

NOTE 4—Derivative Investments

The Fund may enter into an International Swaps and Derivatives Association Master Agreement ("ISDA Master Agreement") under which a fund may trade OTC derivatives. An OTC transaction entered into under an ISDA Master Agreement typically involves a collateral posting arrangement, payment netting provisions and close-out netting provisions. These netting provisions allow for reduction of credit risk through netting of contractual obligations. The enforceability of the netting provisions of the ISDA Master Agreement depends on the governing law of the ISDA Master Agreement, among other factors.

For financial reporting purposes, the Fund does not offset OTC derivative assets or liabilities that are subject to ISDA Master Agreements in the Statement of Assets and Liabilities.

Value of Derivative Investments at Period-End

The table below summarizes the value of the Fund's derivative investments, detailed by primary risk exposure, held as of December 31, 2018:

	Value
Derivative Assets	**Currency Risk**
Unrealized appreciation on forward foreign currency contracts outstanding	$279,396
Derivatives not subject to master netting agreements	–
Total Derivative Assets subject to master netting agreements	$279,396

	Value
Derivative Liabilities	**Currency Risk**
Unrealized depreciation on forward foreign currency contracts outstanding	$(431,312)
Derivatives not subject to master netting agreements	–
Total Derivative Liabilities subject to master netting agreements	$(431,312)

Offsetting Assets and Liabilities

The table below reflects the Fund's exposure to Counterparties subject to either an ISDA Master Agreement or other agreement for OTC derivative transactions as of December 31, 2018.

	Financial Derivative Assets	Financial Derivative Liabilities		Collateral (Received)/Pledged		
Counterparty	**Forward Foreign Currency Contracts**	**Forward Foreign Currency Contracts**	**Net Value of Derivatives**	**Non-Cash**	**Cash**	**Net Amount**
Bank of New York Mellon (The)	$139,533	$(209,946)	$ (70,413)	$–	$–	$ (70,413)
State Street Bank and Trust Co.	139,863	(221,366)	(81,503)	–	–	(81,503)
Total	$279,396	$(431,312)	$(151,916)	$–	$–	$(151,916)

Effect of Derivative Investments for the year ended December 31, 2018

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

	Location of Gain on Statement of Operations
	Currency Risk
Realized Gain:	
Forward foreign currency contracts	$7,099,465
Change in Net Unrealized Appreciation:	
Forward foreign currency contracts	2,612,089
Total	$9,711,554

The table below summarizes the average notional value of forward foreign currency contracts outstanding during the period.

	Forward Foreign Currency Contracts
Average notional value	$167,396,462

NOTE 5—Security Transactions with Affiliated Funds

The Fund is permitted to purchase or sell securities from or to certain other Invesco Funds under specified conditions outlined in procedures adopted by the Board of Trustees of the Trust. The procedures have been designed to ensure that any purchase or sale of securities by the Fund from or to another fund or portfolio that is or could be considered an affiliate by virtue of having a common investment adviser (or affiliated investment advisers), common Trustees and/or common officers complies with Rule 17a-7 of the 1940 Act. Further, as defined under the procedures, each transaction is effected at the current market price. Pursuant to these procedures, for the year ended December 31, 2018, the Fund engaged in securities purchases of $156,746 and securities sales of $648,861, which resulted in net realized gains of $130,328.

NOTE 6—Trustees' and Officers' Fees and Benefits

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

NOTE 7—Cash Balances

The Fund is permitted to temporarily carry a negative or overdrawn balance in its account with State Street Bank and Trust Company, the custodian bank. Such balances, if any at period-end, are shown in the Statement of Assets and Liabilities under the payable caption *Amount due custodian*. To compensate the custodian bank for such overdrafts, the overdrawn Fund may either (1) leave funds as a compensating balance in the account so the custodian bank can be compensated by earning the additional interest; or (2) compensate by paying the custodian bank at a rate agreed upon by the custodian bank and Invesco, not to exceed the contractually agreed upon rate.

NOTE 8—Distributions to Shareholders and Tax Components of Net Assets

Tax Character of Distributions to Shareholders Paid During the Fiscal Years Ended December 31, 2018 and 2017:

	2018	2017
Ordinary income	$ 38,083,181	$ 33,469,069
Long-term capital gain	166,757,495	74,919,939
Total distributions	$204,840,676	$108,389,008

Tax Components of Net Assets at Period-End:

	2018
Undistributed ordinary income	$ 24,894,436
Undistributed long-term gain	164,139,762
Net unrealized appreciation — investments	19,503,265
Net unrealized appreciation (depreciation) — foreign currencies	(3,071)
Temporary book/tax differences	(204,051)
Shares of beneficial interest	1,043,235,513
Total net assets	$1,251,565,854

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

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

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

The Fund does not have a capital loss carryforward as of December 31, 2018.

NOTE 9—Investment Transactions

The aggregate amount of investment securities (other than short-term securities, U.S. Treasury obligations and money market funds, if any) purchased and sold by the Fund during the year ended December 31, 2018 was $548,323,530 and $1,064,072,038, respectively. Cost of investments, including any derivatives, on a tax basis includes the adjustments for financial reporting purposes as of the most recently completed federal income tax reporting period-end.

Unrealized Appreciation (Depreciation) of Investments on a Tax Basis	
Aggregate unrealized appreciation of investments	$ 155,397,280
Aggregate unrealized (depreciation) of investments	(135,894,015)
Net unrealized appreciation of investments	$ 19,503,265

Cost of investments for tax purposes is $1,203,881,927.

NOTE 10—Reclassification of Permanent Differences

Primarily as a result of differing book/tax treatment of foreign currency transactions, on December 31, 2018, undistributed net investment income was decreased by $406,578 and undistributed net realized gain was increased by $406,578. This reclassification had no effect on the net assets or the distributable earnings of the Fund.

NOTE 11—Share Information

	Summary of Share Activity			
	Years ended December 31,			
	2018[a]		2017	
	Shares	Amount	Shares	Amount
Sold:				
Series I	1,599,024	$ 33,449,701	1,248,121	$ 26,984,341
Series II	4,823,927	100,263,745	1,126,956	24,398,016
Issued as reinvestment of dividends:				
Series I	978,568	20,657,576	472,016	10,115,304
Series II	8,737,339	184,183,100	4,592,229	98,273,704
Reacquired:				
Series I	(1,330,437)	(29,078,193)	(1,454,161)	(31,474,574)
Series II	(31,937,812)	(658,603,276)	(12,689,269)	(276,410,033)
Net increase (decrease) in share activity	(17,129,391)	$(349,127,347)	(6,704,108)	$(148,113,242)

(a) There are entities that are record owners of more than 5% of the outstanding shares of the Fund and in the aggregate own 72% of the outstanding shares of the Fund. The Fund and the Fund's principal underwriter or adviser, are parties to participation agreements with these entities whereby these entities sell units of interest in separate accounts funding variable products that are invested in the Fund. The Fund, Invesco and/or Invesco affiliates may make payments to these entities, which are considered to be related to the Fund, for providing services to the Fund, Invesco and/or Invesco affiliates including but not limited to services such as, securities brokerage, third party record keeping and account servicing and administrative services. The Fund has no knowledge as to whether all or any portion of the shares owned of record by these entities are also owned beneficially.

NOTE 12—Financial Highlights

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

	Net asset value, beginning of period	Net investment income[a]	Net gains (losses) on securities (both realized and unrealized)	Total from investment operations	Dividends from net investment income	Distributions from net realized gains	Total distributions	Net asset value, end of period	Total return[b]	Net assets, end of period (000's omitted)	Ratio of expenses to average net assets with fee waivers and/or expenses absorbed	Ratio of expenses to average net assets without fee waivers and/or expenses absorbed	Ratio of net investment income to average net assets	Portfolio turnover[c]
Series I														
Year ended 12/31/18	$22.70	$0.36	$(2.95)	$(2.59)	$(0.47)	$(2.13)	$(2.60)	$17.51	(13.38)%	$ 166,306	0.75%[d]	0.75%[d]	1.63%[d]	32%
Year ended 12/31/17	21.05	0.41[e]	2.52	2.93	(0.34)	(0.94)	(1.28)	22.70	14.32	187,254	0.76	0.76	1.90[e]	17
Year ended 12/31/16	19.60	0.33	3.29	3.62	(0.23)	(1.94)	(2.17)	21.05	19.69	168,082	0.77	0.79	1.69	28
Year ended 12/31/15	25.15	0.33	(1.30)	(0.97)	(0.74)	(3.84)	(4.58)	19.60	(3.06)	149,066	0.78	0.84	1.41	22
Year ended 12/31/14	26.29	0.59[f]	2.02	2.61	(0.50)	(3.25)	(3.75)	25.15	10.28	161,866	0.78	0.83	2.22[f]	31
Series II														
Year ended 12/31/18	22.66	0.30	(2.95)	(2.65)	(0.40)	(2.13)	(2.53)	17.48	(13.59)	1,085,260	1.00[d]	1.00[d]	1.38[d]	32
Year ended 12/31/17	21.02	0.36[e]	2.51	2.87	(0.29)	(0.94)	(1.23)	22.66	14.04	1,823,085	1.01	1.01	1.65[e]	17
Year ended 12/31/16	19.58	0.28	3.28	3.56	(0.18)	(1.94)	(2.12)	21.02	19.37	1,838,074	1.02	1.04	1.44	28
Year ended 12/31/15	25.09	0.27	(1.29)	(1.02)	(0.65)	(3.84)	(4.49)	19.58	(3.26)	1,435,111	1.03	1.09	1.16	22
Year ended 12/31/14	26.23	0.52[f]	2.01	2.53	(0.42)	(3.25)	(3.67)	25.09	9.96	1,828,854	1.03	1.08	1.97[f]	31

[a] Calculated using average shares outstanding.
[b] Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Total returns are not annualized for periods less than one year, if applicable, and do not reflect charges assessed in connection with a variable product, which if included would reduce total returns.
[c] Portfolio turnover is calculated at the fund level and is not annualized for periods less than one year, if applicable.
[d] Ratios are based on average daily net assets (000's omitted) of $184,322 and $1,621,817 for Series I and Series II shares, respectively.
[e] Net investment income per share and the ratio of net investment income to average net assets include significant dividends received during the period. Net investment income per share and the ratio of net investment income to average net assets excluding the significant dividends are $0.30 and 1.42%, and $0.25 and 1.17%, for Series I and Series II, respectively.
[f] Net investment income per share and the ratio of net investment income to average net assets include significant dividends received during the period. Net investment income per share and the ratio of net investment income to average net assets excluding the significant dividends are $0.35 and 1.29%, and $0.28 and 1.04%, for Series I and Series II, respectively.

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Invesco V.I. Growth and Income Fund (one of the funds constituting AIM Variable Insurance Funds (Invesco Variable Insurance Funds), hereafter referred to as the "Fund") as of December 31, 2018, the related statement of operations for the year ended December 31, 2018, the statement of changes in net assets for each of the two years in the period ended December 31, 2018, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2018 (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, 2018, 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, 2018 and the financial highlights for each of the five years in the period ended December 31, 2018 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, 2018 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

Houston, TX
February 14, 2019

We have served as the auditor of one or more of the investment companies in the Invesco group of investment companies since at least 1995. We have not been able to determine the specific year we began serving as auditor.

Calculating your ongoing Fund expenses

Example

As a shareholder of the Fund, you incur ongoing costs, including management fees; distribution and/or service fees (12b-1); and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with ongoing costs of investing in other mutual funds. The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period July 1, 2018 through December 31, 2018.

The actual and hypothetical expenses in the examples below do not represent the effect of any fees or other expenses assessed in connection with a variable product; if they did, the expenses shown would be higher while the ending account values shown would be lower.

Actual expenses

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

Hypothetical example for comparison purposes

The table below also provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return.

The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs. Therefore, the hypothetical information is useful in comparing ongoing costs, and will not help you determine the relative total costs of owning different funds.

		ACTUAL		HYPOTHETICAL (5% annual return before expenses)		
Class	Beginning Account Value (07/01/18)	Ending Account Value (12/31/18)[1]	Expenses Paid During Period[2]	Ending Account Value (12/31/18)	Expenses Paid During Period[2]	Annualized Expense Ratio
Series I	$1,000.00	$878.60	$3.55	$1,021.42	$3.82	0.75%
Series II	1,000.00	877.70	4.73	1,020.16	5.09	1.00

1 The actual ending account value is based on the actual total return of the Fund for the period July 1, 2018 through December 31, 2018, after actual expenses and will differ from the hypothetical ending account value which is based on the Fund's expense ratio and a hypothetical annual return of 5% before expenses.

2 Expenses are equal to the Fund's annualized expense ratio as indicated above multiplied by the average account value over the period, multiplied by 184/365 to reflect the most recent fiscal half year.

Tax Information

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

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

The Fund designates the following amounts or, if subsequently determined to be different, the maximum amount allowable for its fiscal year ended December 31, 2018:

Federal and State Income Tax	
Long-Term Capital Gain Distributions	$166,757,495
Corporate Dividends Received Deduction*	100.00%
U.S. Treasury Obligations*	0.00%

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

Trustees and Officers

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

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Interested Persons				
Martin L. Flanagan[1] — 1960 Trustee	2007	Executive Director, Chief Executive Officer and President, Invesco Ltd. (ultimate parent of Invesco and a global investment management firm); Trustee, The Invesco Funds; Vice Chair, Investment Company Institute; and Member of Executive Board, SMU Cox School of Business Formerly: Advisor to the Board, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.); Chairman and Chief Executive Officer, Invesco Advisers, Inc. (registered investment adviser); Director, Chairman, Chief Executive Officer and President, Invesco Holding Company (US), Inc. (formerly IVZ Inc.) (holding company), Invesco Group Services, Inc. (service provider) and Invesco North American Holdings, Inc. (holding company); Director, Chief Executive Officer and President, Invesco Holding Company Limited (parent of Invesco and a global investment management firm); Director, Invesco Ltd.; Chairman, Investment Company Institute and President, Co-Chief Executive Officer, Co-President, Chief Operating Officer and Chief Financial Officer, Franklin Resources, Inc. (global investment management organization)	158	None
Philip A. Taylor[2] — 1954 Trustee and Senior Vice President	2006	Head of the Americas and Senior Managing Director, Invesco Ltd.; Director, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Director and Chairman, Invesco Investment Services, Inc. (formerly known as Invesco AIM Investment Services, Inc.) (registered transfer agent); Chief Executive Officer, Invesco Corporate Class Inc. (corporate mutual fund company); Director, Chairman and Chief Executive Officer, Invesco Canada Ltd. (formerly known as Invesco Trimark Ltd./Invesco Trimark Ltèe) (registered investment adviser and registered transfer agent); Trustee and Senior Vice President, The Invesco Funds; Director, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management) Formerly: Director, Chairman, Chief Executive Officer and President, Invesco Management Group, Inc. (formerly known as Invesco AIM Management Group, Inc.) (financial services holding company); Co-Chairman, Co-President and Co-Chief Executive Officer, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Director, Chief Executive Officer and President, Van Kampen Exchange Corp; President and Principal Executive Officer, The Invesco Funds (other than AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust), Short-Term Investments Trust and Invesco Management Trust); Executive Vice President, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust), Short-Term Investments Trust and Invesco Management Trust only); Director and President, INVESCO Funds Group, Inc. (registered investment adviser and registered transfer agent); Director and Chairman, IVZ Distributors, Inc. (formerly known as INVESCO Distributors, Inc.) (registered broker dealer); Director, President and Chairman, Invesco Inc. (holding company), Invesco Canada Holdings Inc. (holding company), Trimark Investments Ltd./ Placements Trimark Ltèe and Invesco Financial Services Ltd/Services Financiers Invesco Ltèe; Chief Executive Officer, Invesco Canada Fund Inc. (corporate mutual fund company); Director and Chairman, Van Kampen Investor Services Inc.; Director, Chief Executive Officer and President, 1371 Preferred Inc. (holding company) and Van Kampen Investments Inc.; Director and President, AIM GP Canada Inc. (general partner for limited partnerships) and Van Kampen Advisors, Inc.; Director and Chief Executive Officer, Invesco Trimark Dealer Inc. (registered broker dealer); Director, Invesco Distributors, Inc. (formerly known as Invesco AIM Distributors, Inc.) (registered broker dealer); Manager, Invesco Capital Management LLC; Director, Chief Executive Officer and President, Invesco Advisers, Inc.; Director, Chairman, Chief Executive Officer and President, Invesco AIM Capital Management, Inc.; President, Invesco Trimark Dealer Inc. and Invesco Trimark Ltd./Invesco Trimark Ltèe; Director and President, AIM Trimark Corporate Class Inc. and AIM Trimark Canada Fund Inc.; Senior Managing Director, Invesco Holding Company Limited; Director and Chairman, Fund Management Company (former registered broker dealer); President and Principal Executive Officer, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust), and Short-Term Investments Trust only); President, AIM Trimark Global Fund Inc. and AIM Trimark Canada Fund Inc.	158	None

1 Mr. Flanagan is considered an interested person (within the meaning of Section 2(a)(19) of the 1940 Act) of the Trust because he is an officer of the Adviser to the Trust, and an officer and a director of Invesco Ltd., ultimate parent of the Adviser.

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

Trustees and Officers–(continued)

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Independent Trustees				
Bruce L. Crockett – 1944 Trustee and Chair	1993	Chairman, Crockett Technologies Associates (technology consulting company) Formerly: Director, Captaris (unified messaging provider); Director, President and Chief Executive Officer, COMSAT Corporation; Chairman, Board of Governors of INTELSAT (international communications company); ACE Limited (insurance company); Independent Directors Council and Investment Company Institute: Member of the Audit Committee, Investment Company Institute; Member of the Executive Committee and Chair of the Governance Committee, Independent Directors Council	158	Director and Chairman of the Audit Committee, ALPS (Attorneys Liability Protection Society) (insurance company); Director and Member of the Audit Committee and Compensation Committee, Ferroglobe PLC (metallurgical company)
David C. Arch – 1945 Trustee	2010	Chairman of Blistex Inc. (consumer health care products manufacturer); Member, World Presidents' Organization	158	Board member of the Illinois Manufacturers' Association
Jack M. Fields – 1952 Trustee	1997	Chief Executive Officer, Twenty First Century Group, Inc. (government affairs company); and Chairman, Discovery Learning Alliance (non-profit) Formerly: Owner and Chief Executive Officer, Dos Angeles Ranch L.P. (cattle, hunting, corporate entertainment); Director, Insperity, Inc. (formerly known as Administaff) (human resources provider); Chief Executive Officer, Texana Timber LP (sustainable forestry company); Director of Cross Timbers Quail Research Ranch (non-profit); and member of the U.S. House of Representatives	158	None
Cynthia Hostetler – 1962 Trustee	2017	Non-Executive Director and Trustee of a number of public and private business corporations Formerly: Director, Aberdeen Investment Funds (4 portfolios); Head of Investment Funds and Private Equity, Overseas Private Investment Corporation; President, First Manhattan Bancorporation, Inc.; Attorney, Simpson Thacher & Bartlett LLP	158	Vulcan Materials Company (construction materials company); Trilinc Global Impact Fund; Genesse Wyoming, Inc. (railroads); Artio Global Investment LLC (mutual fund complex); Edgen Group, Inc. (specialized energy and infrastructure products distributor); Investment Company Institute (professional organization); Independent Directors Council (professional organization)
Eli Jones – 1961 Trustee	2016	Professor and Dean, Mays Business School – Texas A&M University Formerly: Professor and Dean, Walton College of Business, University of Arkansas and E.J. Ourso College of Business, Louisiana State University; Director, Arvest Bank	158	Insperity, Inc. (formerly known as Administaff) (human resources provider)
Prema Mathai-Davis – 1950 Trustee	1998	Retired Co-Owner & Partner of Quantalytics Research, LLC, (a FinTech Investment Research Platform for the Self-Directed Investor)	158	None
Teresa M. Ressel – 1962 Trustee	2017	Non-executive director and trustee of a number of public and private business corporations Formerly: Chief Financial Officer, Olayan America, The Olayan Group (international investor/commercial/industrial); Chief Executive Officer, UBS Securities LLC; Group Chief Operating Officer, Americas, UBS AG; Assistant Secretary for Management & Budget and CFO, US Department of the Treasury	158	Atlantic Power Corporation (power generation company); ON Semiconductor Corp. (semiconductor supplier)
Ann Barnett Stern – 1957 Trustee	2017	President and Chief Executive Officer, Houston Endowment Inc. (private philanthropic institution) Formerly: Executive Vice President and General Counsel, Texas Children's Hospital; Attorney, Beck, Redden and Secrest, LLP; Business Law Instructor, University of St. Thomas; Attorney, Andrews & Kurth LLP	158	Federal Reserve Bank of Dallas
Raymond Stickel, Jr. – 1944 Trustee	2005	Retired Formerly: Director, Mainstay VP Series Funds, Inc. (25 portfolios); Partner, Deloitte & Touche	158	None
Robert C. Troccoli – 1949 Trustee	2016	Adjunct Professor, University of Denver – Daniels College of Business Formerly: Senior Partner, KPMG LLP	158	None
Christopher L. Wilson – 1957 Trustee	2017	Non-executive director and trustee of a number of public and private business corporations Formerly: Director, TD Asset Management USA Inc. (mutual fund complex) (22 portfolios); Managing Partner, CT2, LLC (investing and consulting firm); President/Chief Executive Officer, Columbia Funds, Bank of America Corporation; President/Chief Executive Officer, CDC IXIS Asset Management Services, Inc.; Principal & Director of Operations, Scudder Funds, Scudder, Stevens & Clark, Inc.; Assistant Vice President, Fidelity Investments	158	ISO New England, Inc. (non-profit organization managing regional electricity market)

Trustees and Officers–(continued)

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Other Officers				
Sheri Morris – 1964 President, Principal Executive Officer and Treasurer	1999	President, Principal Executive Officer and Treasurer, The Invesco Funds; Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); and Vice President, Invesco Exchange-Traded Fund Trust, Invesco Exchange-Traded Fund Trust II, Invesco India Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Commodity Fund Trust and Invesco Exchange-Traded Self-Indexed Fund Trust Formerly: Vice President and Principal Financial Officer, The Invesco Funds; Vice President, Invesco AIM Advisers, Inc., Invesco AIM Capital Management, Inc. and Invesco AIM Private Asset Management, Inc.; Assistant Vice President and Assistant Treasurer, The Invesco Funds and Assistant Vice President, Invesco Advisers, Inc., Invesco AIM Capital Management, Inc. and Invesco AIM Private Asset Management, Inc.; and Treasurer, Invesco Exchange-Traded Fund Trust, Invesco Exchange-Traded Fund Trust II, Invesco India Exchange-Traded Fund Trust and Invesco Actively Managed Exchange-Traded Fund Trust	N/A	N/A
Russell C. Burk – 1958 Senior Vice President and Senior Officer	2005	Senior Vice President and Senior Officer, The Invesco Funds	N/A	N/A
Jeffrey H. Kupor – 1968 Senior Vice President, Chief Legal Officer and Secretary	2018	Head of Legal of the Americas; Senior Vice President and Secretary, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Senior Vice President and Secretary, Invesco Distributors, Inc. (formerly known as Invesco AIM Distributors, Inc.); Vice President and Secretary, Invesco Investment Services, Inc. (formerly known as Invesco AIM Investment Services, Inc.) Senior Vice President, Chief Legal Officer and Secretary, The Invesco Funds; Secretary and General Counsel, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management); Secretary and General Counsel, Invesco Capital Markets, Inc. (formerly known as Van Kampen Funds Inc.) and Chief Legal Officer, Invesco Exchange-Traded Fund Trust, Invesco Exchange-Traded Fund Trust II, Invesco India Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Commodity Fund Trust and Invesco Exchange-Traded Self-Indexed Fund Trust; Secretary, Invesco Indexing LLC; Secretary, W.L. Ross & Co., LLC; Secretary and Vice President, Jemstep, Inc. Formerly: Head of Legal, Worldwide Institutional; Secretary and General Counsel, INVESCO Private Capital Investments, Inc.; Senior Vice President, Secretary and General Counsel, Invesco Management Group, Inc. (formerly known as Invesco AIM Management Group, Inc.); Assistant Secretary, INVESCO Asset Management (Bermuda) Ltd.; Secretary and General Counsel, Invesco Private Capital, Inc.; Assistant Secretary and General Counsel, INVESCO Realty, Inc.; Secretary and General Counsel, Invesco Senior Secured Management, Inc.; and Secretary, Sovereign G./P. Holdings Inc.	N/A	N/A
John M. Zerr – 1962 Senior Vice President	2006	Chief Operating Officer of the Americas; Senior Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Senior Vice President, Invesco Distributors, Inc. (formerly known as Invesco AIM Distributors, Inc.); Director and Vice President, Invesco Investment Services, Inc. (formerly known as Invesco AIM Investment Services, Inc.) Senior Vice President, The Invesco Funds; Managing Director, Invesco Capital Management LLC; Director, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management); Senior Vice President, Invesco Capital Markets, Inc. (formerly known as Van Kampen Funds Inc.); Manager, Invesco Indexing LLC Formerly: Director and Senior Vice President, Invesco Management Group, Inc. (formerly known as Invesco AIM Management Group, Inc.); Secretary and General Counsel, Invesco Management Group, Inc. (formerly known as Invesco AIM Management Group, Inc.); Secretary, Invesco Investment Services, Inc. (formerly known as Invesco AIM Investment Services, Inc.); Chief Legal Officer and Secretary, The Invesco Funds; Secretary and General Counsel, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management); Secretary and General Counsel, Invesco Capital Markets, Inc. (formerly known as Van Kampen Funds Inc.); Chief Legal Officer, Invesco Exchange-Traded Fund Trust, Invesco Exchange-Traded Fund Trust II, Invesco India Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Commodity Fund Trust and Invesco Exchange-Traded Self-Indexed Fund Trust; Secretary, Invesco Indexing LLC; Director, Secretary, General Counsel and Senior Vice President, Van Kampen Exchange Corp.; Director, Vice President and Secretary, IVZ Distributors, Inc. (formerly known as INVESCO Distributors, Inc.); Director and Vice President, INVESCO Funds Group, Inc.; Director and Vice President, Van Kampen Advisors Inc.; Director, Vice President, Secretary and General Counsel, Van Kampen Investor Services Inc.; Director and Secretary, Invesco Distributors, Inc. (formerly known as Invesco AIM Distributors, Inc.); Director, Senior Vice President, General Counsel and Secretary, Invesco AIM Advisers, Inc. and Van Kampen Investments Inc.; Director, Vice President and Secretary, Fund Management Company; Director, Senior Vice President, Secretary, General Counsel and Vice President, Invesco AIM Capital Management, Inc.; Chief Operating Officer and General Counsel, Liberty Ridge Capital, Inc. (an investment adviser)	N/A	N/A

Trustees and Officers–(continued)

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Other Officers—(continued)				
Gregory G. McGreevey – 1962 Senior Vice President	2012	Senior Managing Director, Invesco Ltd.; Director, Chairman, President, and Chief Executive Officer, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Director, Invesco Mortgage Capital, Inc. and Invesco Senior Secured Management, Inc.; and Senior Vice President, The Invesco Funds Formerly: Senior Vice President, Invesco Management Group, Inc. and Invesco Advisers, Inc.; Assistant Vice President, The Invesco Funds	N/A	N/A
Kelli Gallegos – 1970 Vice President, Principal Financial Officer and Assistant Treasurer	2008	Vice President and Treasurer, Invesco Exchange-Traded Fund Trust, Invesco Exchange-Traded Fund Trust II, Invesco India Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Commodity Fund Trust and Invesco Exchange-Traded Self-Indexed Fund Trust; Vice President, Principal Financial Officer and Assistant Treasurer, The Invesco Funds; Principal Financial and Accounting Officer – Pooled Investments, Invesco Capital Management LLC Formerly: Assistant Treasurer, Invesco Exchange-Traded Fund Trust, Invesco Exchange-Traded Fund Trust II, Invesco India Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Commodity Fund Trust and Invesco Exchange-Traded Self-Indexed Fund Trust; Assistant Treasurer, Invesco Capital Management LLC; Assistant Vice President, The Invesco Funds	N/A	N/A
Tracy Sullivan – 1962 Vice President, Chief Tax Officer and Assistant Treasurer	2008	Vice President, Chief Tax Officer and Assistant Treasurer, The Invesco Funds; Assistant Treasurer, Invesco Capital Management LLC, Invesco Exchange-Traded Fund Trust, Invesco Exchange-Traded Fund Trust II, Invesco India Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Commodity Fund Trust and Invesco Exchange-Traded Self-Indexed Fund Trust Formerly: Assistant Vice President, The Invesco Funds	N/A	N/A
Crissie M. Wisdom – 1969 Anti-Money Laundering Compliance Officer	2013	Anti-Money Laundering Compliance Officer, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser), Invesco Capital Markets, Inc. (formerly known as Van Kampen Funds Inc.), Invesco Distributors, Inc., Invesco Investment Services, Inc., The Invesco Funds, and Invesco Exchange-Traded Fund Trust, Invesco Exchange-Traded Fund Trust II, Invesco India Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Commodity Fund Trust and Invesco Exchange-Traded Self-Indexed Fund Trust; Anti-Money Laundering Compliance Officer and Bank Secrecy Act Officer, INVESCO National Trust Company and Invesco Trust Company; and Fraud Prevention Manager and Controls and Risk Analysis Manager for Invesco Investment Services, Inc. Formerly: Anti-Money Laundering Compliance Officer, Van Kampen Exchange Corp. and Invesco Management Group, Inc.	N/A	N/A
Robert R. Leveille – 1969 Chief Compliance Officer	2016	Chief Compliance Officer, Invesco Advisers, Inc. (registered investment adviser); and Chief Compliance Officer, The Invesco Funds Formerly: Chief Compliance Officer, Putnam Investments and the Putnam Funds	N/A	N/A

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

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

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

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

Auditors
PricewaterhouseCoopers LLP
1000 Louisiana Street, Suite 5800
Houston, TX 77002-5021

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

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

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

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

Invesco V.I. Mid Cap Growth Fund

The Fund provides a complete list of its holdings four times in each fiscal year, at the quarter-ends. For the second and fourth quarters, the lists appear in the Fund's semi-annual and annual reports to shareholders. For the first and third quarters, the Fund files the lists with the Securities and Exchange Commission (SEC) on Form N-Q (or any successor Form). The Fund's Form N-Q (or any successor Form) filings are available on the SEC website, sec.gov. The SEC file numbers for the Fund are 811-07452 and 033-57340. The Fund's most recent portfolio holdings, as filed on Form N-Q (or any successor Form), have also been made available to insurance companies issuing variable annuity contracts and variable life insurance policies ("variable products") that invest in the Fund.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge, upon request, from our Client Services department at 800 959 4246 or at invesco.com/proxyguidelines. The information is also available on the SEC website, sec.gov.

Information regarding how the Fund voted proxies related to its portfolio securities during the most recent 12-month period ended June 30 is available at invesco.com/proxysearch. The information is also available on the SEC website, sec.gov.

Invesco Advisers, Inc. is an investment adviser; it provides investment advisory services to individual and institutional clients and does not sell securities. Invesco Distributors, Inc. is the US distributor for Invesco Ltd.'s retail mutual funds, exchange-traded funds and institutional money market funds. Both are wholly owned, indirect subsidiaries of Invesco Ltd.

This report must be accompanied or preceded by a currently effective Fund prospectus and variable product prospectus, which contain more complete information, including sales charges and expenses. Investors should read each carefully before investing.

Management's Discussion of Fund Performance

Performance summary

For the year ended December 31, 2018, Series I shares of Invesco V.I. Mid Cap Growth Fund (the Fund) underperformed the Russell Midcap Growth Index, the Fund's style-specific benchmark.

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

Fund vs. Indexes

Total returns, 12/31/17 to 12/31/18, excluding variable product issuer charges. If variable product issuer charges were included, returns would be lower.

Series I Shares	-5.58%
Series II Shares	-5.87
S&P 500 Index▼ (Broad Market Index)	-4.38
Russell Midcap Growth Index■ (Style-Specific Index)	-4.75
Lipper VUF Mid-Cap Growth Funds Index◆ (Peer Group Index)	-4.64

Source(s): ▼FactSet Research Systems Inc.; ■RIMES Technologies Corp; ◆Lipper Inc.

Market conditions and your Fund

Calendar year 2018 proved to be an increasingly volatile time for US equities. In January 2018, US equity markets steadily moved higher, as investors remained enthused about the passage of the Tax Cuts and Jobs Act signed into law in late December 2017. However, in February 2018, volatility returned to the US stock and bond markets. Worries about how rising interest rates might affect economic growth, concerns about a potential trade war and heightened geopolitical tensions caused the US stock markets to pull back and volatility to increase.

US equity markets generally recovered in the second quarter of 2018 as strong US retail sales and low unemployment buoyed markets. Throughout the summer, US equities moved higher as corporate profits surged. Several US equity indexes reached new highs despite potential headwinds including trade tensions, tariff announcements and contagion concerns over a Turkish currency crisis. After a relatively quiet summer, market volatility noticeably rose in October, as US equity markets suffered a sharp sell-off through year-end, amid rising interest rates and concerns that higher inflation could mean a more restrictive monetary policy. In this environment, there was a flight to safety, as investors fled to defensive areas of the equities markets, like health care and utilities, and US Treasuries.

Given signs of a strong economy, the US Federal Reserve raised interest rates four times during the year: in March, June, September and December 2018. Following December's Federal Reserve meeting, Chairman Jerome Powell raised interest rates for the fourth time in 2018 by 25 basis points to a targeted range of 2.25% to 2.50%, and lowered guidance from three to two rate hikes in 2019, signaling a slightly more dovish stance than expected.[1] In contrast, the European Central Bank and central banks in several other countries maintained extraordinarily accommodative monetary policies.

During the year, the Fund produced a loss and underperformed its style-specific benchmark. Key detractors to relative performance for the year included stock selection in the information technology (IT), industrials and communication services sectors. An underweight allocation to consumer staples and an overweight allocation to energy also hurt relative returns. Stock selection and an overweight position in health care, as well as stock selection and an underweight position in materials and consumer discretionary, were primary relative contributors to the Fund's relative performance. Stock selection in financials was beneficial, as was the Fund's ancillary cash position during the year.

Parsley Energy was among detractors from absolute and relative performance for the year. In general, the energy sector was among the worst-performing sectors this year given volatility in oil prices. We used weakness in energy stocks to reallocate into companies that we believed had higher conviction and higher quality. We believed Parsley Energy to be a high-quality company with key acreage in the Permian Basin that is positioned to relatively outperform in the global oil market.

Within consumer discretionary, an overweight position in **Wynn Resorts** was a detractor from the Fund's performance versus the style-specific benchmark for the year. The hotel and casino company faced headwinds as several factors slowed gambling revenue in the Macau region of China, including the World Cup in Russia and a September typhoon that shut down the casinos. We exited our position in the company before the close of the year.

Within the software industry, **LogMeIn** detracted from the Fund's performance relative to the style-specific benchmark for the year. The company's stock sold off after it experienced customer turnover that affected a small percentage of the company's sales. We believed that the company's fundamentals remained relatively stable. We exited our position in the company before the close of the year.

Portfolio Composition

By sector	% of total net assets
Information Technology	28.7%
Health Care	17.5
Industrials	16.9
Consumer Discretionary	16.0
Financials	8.9
Communication Services	3.8
Energy	3.4
Materials	2.2
Real Estate	1.4
Consumer Staples	0.6
Money Market Funds Plus Other Assets Less Liabilities	0.6

Top 10 Equity Holdings*

	% of total net assets
1. ServiceNow, Inc.	2.5%
2. Burlington Stores, Inc.	2.1
3. Cheniere Energy, Inc.	2.1
4. Centene Corp.	2.0
5. Roper Technologies, Inc.	2.0
6. CoStar Group Inc.	2.0
7. E*TRADE Financial Corp.	2.0
8. TD Ameritrade Holding Corp.	1.9
9. Boston Scientific Corp.	1.8
10. DexCom Inc.	1.8

Total Net Assets	$183.3 million
Total Number of Holdings*	85

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

*Excluding money market fund holdings.

Data presented here are as of December 31, 2018.

Holdings within the health care equipment and supplies and biotechnology industries aided the Fund's performance for the year. The leading individual contributor to both absolute and relative returns was **Dexcom**, which is in the early stages of a new product launch that is expected to support long-term revenue growth. **Boston Scientific**, which manufactures an array of medical devices, reported strong results across their portfolio of products and raised earnings guidance for the year. It also received a "mini-tender" offer by a private investment firm, although the offer was subsequently denied as it was below Boston Scientific's trading price at the time.

Within biotechnology, the leading individual contributor to the Fund's performance versus the style-specific benchmark for the year was **Sarepta Therapeutics**. The company delivered encouraging updates regarding the development of its gene therapy molecule during the year.

While security selection within the IT sector detracted from the Fund's relative performance, **ServiceNow** was among the top individual contributors to the Fund's absolute performance and an overweight position in the holding was beneficial to relative results. ServiceNow provides cloud computing services to businesses in an effort to "make work better for people." The stock benefited from the firm's continued growth across both the public and private sectors.

At the end of the year, the Fund's largest overweight allocations relative to the style-specific benchmark were in the health care, financials, energy and industrials sectors. In contrast, the largest underweight allocations were in the IT, consumer staples, materials and real estate sectors.

Our view is that we are in a slowing, but not declining, global growth environment as the benefits of US tax stimulus and deregulation are being offset by higher interest rates, rising labor costs and trade pressures. In such an environment, true growth will likely remain scarce, and we believe the market will favor companies that can produce growth and compound earnings in spite of the economic cycle. Given this scenario, we seek opportunities in companies that are taking share within their respective industries. Though we anticipate a possible economic slowing, we continue to prudently balance the Fund between dynamic growth opportunities and more durable growth opportunities.

We thank you for your commitment to Invesco V.I. Mid Cap Growth Fund and for sharing our long-term investment horizon.

1 Source: US Federal Reserve

The views and opinions expressed in management's discussion of Fund performance are those of Invesco Advisers, Inc. These views and opinions are subject to change at any time based on factors such as market and economic conditions. These views and opinions may not be relied upon as investment advice or recommendations, or as an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but Invesco Advisers, Inc. makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

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

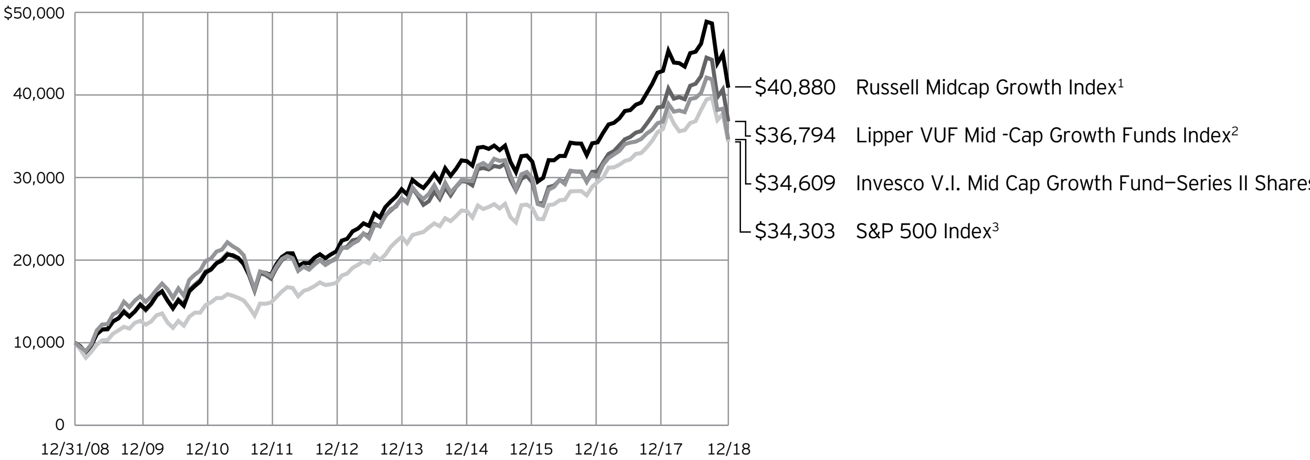
Jim Leach
Chartered Financial Analyst, Portfolio Manager, is lead manager of Invesco V.I. Mid Cap Growth Fund. He joined Invesco in 2011. Mr. Leach earned a BS in mechanical engineering from the University of California and an MBA from New York University Stern School of Business.

Elizabeth Bernstein
Portfolio Manager, is manager of Invesco V.I. Mid Cap Growth Fund. She joined Invesco in 2012. Ms. Bernstein earned a BA degree in history, cum laude, from the University of Pennsylvania and an MBA from the University of Michigan – Ross School of Business with an emphasis in strategy and finance.

Your Fund's Long-Term Performance

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

Fund and index data from 12/31/08



1 Source: RIMES Technologies Corp.
2 Source: Lipper Inc.
3 Source: FactSet Research Systems Inc.

Past performance cannot guarantee comparable future results.

Average Annual Total Returns *As of 12/31/18*	
Series I Shares	
10 Years	13.42%
5 Years	4.96
1 Year	-5.58
Series II Shares	
Inception (9/25/00)	1.23%
10 Years	13.22
5 Years	4.70
1 Year	-5.87

Effective June 1, 2010, Class II shares of the predecessor fund, Van Kampen Life Investment Trust Mid Cap Growth Portfolio, advised by Van Kampen Asset Management were reorganized into Series II shares, of Invesco Van Kampen V.I. Mid Cap Growth Fund (renamed Invesco V.I. Mid Cap Growth Fund on April 29, 2013). Returns shown above, prior to June 1, 2010, for Series II shares are blended returns of the predecessor fund and Invesco V.I. Mid Cap Growth Fund. Share class returns will differ from the predecessor fund because of different expenses.

Series I shares incepted on June 1, 2010. Series I share performance shown prior to that date is that of the predecessor fund's Class II shares and includes the 12b-1 fees applicable to the predecessor fund's Class II shares.

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

The total annual Fund operating expense ratio set forth in the most recent Fund prospectus as of the date of this report for Series I and Series II shares was 1.00% and 1.25%, respectively. The expense ratios presented above may vary from the expense ratios presented in other sections of this report that are based on expenses incurred during the period covered by this report.

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

The most recent month-end performance at the Fund level, excluding variable product charges, is available at 800 451 4246. As mentioned above, for the most recent month-end performance including variable product charges, please contact your variable product issuer or financial adviser.

Fund performance reflects any applicable fee waivers and/or expense reimbursements. Had the adviser not waived fees and/or reimbursed expenses currently or in the past, returns would have been lower. See current prospectus for more information.

Invesco V.I. Mid Cap Growth Fund's investment objective is to seek capital growth.

- Unless otherwise stated, information presented in this report is as of December 31, 2018, and is based on total net assets.
- Unless otherwise noted, all data provided by Invesco.

Principal risks of investing in the Fund

Foreign securities risk. The Fund's foreign investments may be adversely affected by political and social instability, changes in economic or taxation policies, difficulty in enforcing obligations, decreased liquidity or increased volatility. Foreign investments also involve the risk of the possible seizure, nationalization or expropriation of the issuer or foreign deposits (in which the Fund could lose its entire investments in a certain market) and the possible adoption of foreign governmental restrictions such as exchange controls. Unless the Fund has hedged its foreign securities risk, foreign securities risk also involves the risk of negative foreign currency rate fluctuations, which may cause the value of securities denominated in such foreign currency (or other instruments through which the Fund has exposure to foreign currencies) to decline in value. Currency exchange rates may fluctuate significantly over short periods of time. Currency hedging strategies, if used, are not always successful.

Growth investing risk. Growth stocks tend to be more expensive relative to the issuing company's earnings or assets compared with other types of stock. As a result, they tend to be more sensitive to changes in, or investors' expectations of, the issuing company's earnings and can be more volatile.

Management risk. The Fund is actively managed and depends heavily on the Adviser's judgment about markets, interest rates or the attractiveness, relative values, liquidity, or potential appreciation of particular investments made for the Fund's portfolio. The Fund could experience losses if these judgments prove to be incorrect. Additionally, legislative, regulatory, or tax developments may adversely affect management of the Fund and, therefore, the ability of the Fund to achieve its investment objective.

Market risk. The market values of the Fund's investments, and therefore the value of the Fund's shares, will go up and down, sometimes rapidly or unpredictably. Market risk may affect a single issuer, industry or section of the economy, or it may affect the market as a whole. Individual stock prices tend to go up and down more dramatically than those of certain other types of investments, such as bonds. During a general downturn in the financial markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that specific investments held by the Fund will rise in value.

Mid-capitalization companies risk. Mid-capitalization companies tend to be more vulnerable to changing market conditions and may have more limited product lines and markets, less experienced management and fewer financial resources than larger companies. These companies' securities may be more volatile and less liquid than those of more established companies, and their returns may vary, sometimes significantly, from the overall securities market.

Sector focus risk. The Fund may from time to time invest a significant amount of its assets (i.e. over 25%) in one market sector or group of related industries. In this event, the Fund's performance will depend to a greater extent on the overall condition of the sector or group of industries and there is increased risk that the Fund will lose significant value if conditions adversely affect that sector or group of industries.

About indexes used in this report

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

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

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

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

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

Other information

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

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

Schedule of Investments[(a)]

December 31, 2018

	Shares	Value
Common Stocks & Other Equity Interests-99.44%		
Aerospace & Defense-2.87%		
Harris Corp.	15,574	$ 2,097,039
TransDigm Group, Inc.[(b)]	9,279	3,155,417
		5,252,456
Air Freight & Logistics-0.35%		
XPO Logistics, Inc.[(b)]	11,357	647,803
Apparel Retail-2.12%		
Burlington Stores, Inc.[(b)]	23,942	3,894,645
Apparel, Accessories & Luxury Goods-0.58%		
PVH Corp.	11,472	1,066,322
Application Software-7.30%		
Autodesk, Inc.[(b)]	12,981	1,669,486
Guidewire Software Inc.[(b)]	36,301	2,912,429
New Relic, Inc.[(b)]	19,670	1,592,680
SS&C Technologies Holdings, Inc.	71,196	3,211,652
Synopsys, Inc.[(b)]	17,609	1,483,382
Tyler Technologies, Inc.[(b)]	13,480	2,504,854
		13,374,483
Auto Parts & Equipment-0.88%		
Aptiv PLC	26,155	1,610,363
Biotechnology-4.19%		
BioMarin Pharmaceutical Inc.[(b)]	30,062	2,559,779
Neurocrine Biosciences, Inc.[(b)]	30,514	2,179,005
Sage Therapeutics, Inc.[(b)]	11,116	1,064,802
Sarepta Therapeutics, Inc.[(b)]	17,265	1,884,129
		7,687,715
Building Products-0.53%		
Trex Co., Inc.[(b)]	16,257	965,016
Communications Equipment-1.96%		
Arista Networks Inc.[(b)]	4,653	980,387
F5 Networks, Inc.[(b)]	16,123	2,612,410
		3,592,797
Data Processing & Outsourced Services-5.72%		
Black Knight, Inc.[(b)]	65,942	2,971,347
Fidelity National Information Services, Inc.	24,251	2,486,940
FleetCor Technologies Inc.[(b)]	10,948	2,033,263
Worldpay, Inc.-Class A[(b)]	39,259	3,000,565
		10,492,115
Department Stores-0.68%		
Kohl's Corp.	18,760	1,244,538
Diversified Support Services-1.13%		
KAR Auction Services, Inc.	43,553	2,078,349

	Shares	Value
Education Services-2.25%		
Bright Horizons Family Solutions Inc.[(b)]	22,946	$ 2,557,332
Grand Canyon Education, Inc.[(b)]	16,242	1,561,506
		4,118,838
Electronic Components-1.30%		
Amphenol Corp.-Class A	29,485	2,388,875
Electronic Equipment & Instruments-0.59%		
FLIR Systems, Inc.	24,992	1,088,152
Environmental & Facilities Services-1.21%		
Republic Services, Inc.	30,895	2,227,221
Financial Exchanges & Data-2.38%		
London Stock Exchange Group PLC (United Kingdom)	44,297	2,285,948
Nasdaq, Inc.	25,403	2,072,123
		4,358,071
General Merchandise Stores-1.45%		
Dollar General Corp.	24,524	2,650,554
Health Care Equipment-5.78%		
Boston Scientific Corp.[(b)]	94,143	3,327,014
DexCom Inc.[(b)]	26,835	3,214,833
LivaNova PLC[(b)]	19,161	1,752,657
Penumbra, Inc.[(b)]	18,781	2,295,038
		10,589,542
Health Care Services-0.75%		
Laboratory Corp. of America Holdings[(b)]	10,923	1,380,230
Hotels, Resorts & Cruise Lines-2.31%		
Hilton Worldwide Holdings Inc.	26,759	1,921,296
Royal Caribbean Cruises Ltd.	23,567	2,304,617
		4,225,913
Household Products-0.66%		
Church & Dwight Co., Inc.	18,408	1,210,510
Industrial Conglomerates-2.01%		
Roper Technologies, Inc.	13,796	3,676,910
Industrial Machinery-3.02%		
Fortive Corp.	41,222	2,789,081
Ingersoll-Rand PLC	30,052	2,741,644
		5,530,725
Insurance Brokers-0.85%		
Brown & Brown, Inc.	56,225	1,549,561
Interactive Home Entertainment-2.14%		
Electronic Arts Inc.[(b)]	13,416	1,058,656
Nintendo Co., Ltd. (Japan)	4,600	1,215,370
Take-Two Interactive Software, Inc.[(b)]	16,072	1,654,452
		3,928,478

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

	Shares	Value
Internet & Direct Marketing Retail-1.05%		
Etsy, Inc.(b)	40,428	$ 1,923,160
Internet Services & Infrastructure-1.60%		
GoDaddy, Inc.-Class A(b)	44,713	2,934,067
Investment Banking & Brokerage-3.83%		
E*TRADE Financial Corp.	82,018	3,598,950
TD Ameritrade Holding Corp.	69,837	3,419,219
		7,018,169
IT Consulting & Other Services-1.26%		
Gartner, Inc.(b)	18,095	2,313,265
Leisure Facilities-0.71%		
Vail Resorts, Inc.	6,182	1,303,289
Life Sciences Tools & Services-2.00%		
Mettler-Toledo International Inc.(b)	4,696	2,655,964
Syneos Health, Inc.(b)	25,758	1,013,577
		3,669,541
Managed Health Care-3.34%		
Centene Corp.(b)	32,091	3,700,092
Humana Inc.	8,458	2,423,048
		6,123,140
Movies & Entertainment-1.65%		
Live Nation Entertainment, Inc.(b)	61,353	3,021,635
Multi-Line Insurance-1.02%		
Assurant, Inc.	20,927	1,871,711
Oil & Gas Exploration & Production-1.28%		
Diamondback Energy Inc.	12,702	1,177,476
Parsley Energy, Inc.-Class A(b)	73,389	1,172,756
		2,350,232
Oil & Gas Storage & Transportation-2.09%		
Cheniere Energy, Inc.(b)	64,725	3,831,073
Pharmaceuticals-1.40%		
Zoetis Inc.	29,932	2,560,383
Regional Banks-0.87%		
SVB Financial Group(b)	8,373	1,590,200
Research & Consulting Services-4.28%		
CoStar Group Inc.(b)	10,679	3,602,454
Equifax Inc.	22,804	2,123,736
IHS Markit Ltd.(b)	44,141	2,117,444
		7,843,634
Restaurants-1.70%		
Domino's Pizza, Inc.	12,547	3,111,531
Semiconductor Equipment-1.36%		
Entegris, Inc.	39,229	1,094,293
KLA-Tencor Corp.	15,541	1,390,764
		2,485,057

	Shares	Value
Semiconductors-3.46%		
Advanced Micro Devices, Inc.(b)	64,093	$ 1,183,157
Analog Devices, Inc.	19,666	1,687,933
Microchip Technology Inc.	30,309	2,179,823
Universal Display Corp.(c)	13,806	1,291,827
		6,342,740
Specialized Consumer Services-1.37%		
ServiceMaster Global Holdings, Inc.(b)	68,184	2,505,080
Specialized REITs-1.36%		
SBA Communications Corp.-Class A(b)	15,416	2,495,696
Specialty Chemicals-2.21%		
Celanese Corp.	18,398	1,655,268
Sherwin-Williams Co. (The)	6,081	2,392,630
		4,047,898
Specialty Stores-0.95%		
Ulta Beauty, Inc.(b)	7,105	1,739,588
Systems Software-3.13%		
ServiceNow, Inc.(b)	25,363	4,515,882
Varonis Systems, Inc.(b)	23,204	1,227,492
		5,743,374
Technology Hardware, Storage & Peripherals-1.04%		
NetApp, Inc.	31,989	1,908,784
Trading Companies & Distributors-1.47%		
Fastenal Co.	25,915	1,355,095
United Rentals, Inc.(b)	13,111	1,344,271
		2,699,366
Total Common Stocks & Other Equity Interests (Cost $160,240,604)		182,262,795
Money Market Funds-0.71%		
Invesco Government & Agency Portfolio-Institutional Class, 2.30%(d)	458,415	458,415
Invesco Liquid Assets Portfolio-Institutional Class, 2.48%(d)	326,411	326,444
Invesco Treasury Portfolio-Institutional Class, 2.30%(d)	523,902	523,902
Total Money Market Funds (Cost $1,308,761)		1,308,761
TOTAL INVESTMENTS IN SECURITIES (excluding investments purchased with cash collateral from securities on loan)-100.15% (Cost $161,549,365)		183,571,556
Investments Purchased with Cash Collateral from Securities on Loan		
Money Market Funds-0.53%		
Invesco Government & Agency Portfolio-Institutional Class, 2.30% (Cost $969,230)(d)(e)	969,230	969,230
TOTAL INVESTMENTS IN SECURITIES-100.68% (Cost $162,518,595)		184,540,786
OTHER ASSETS LESS LIABILITIES-(0.68)%		(1,244,660)
NET ASSETS-100.00%		$183,296,126

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

Investment Abbreviations:

REIT – Real Estate Investment Trust

Notes to Schedule of Investments:

[(a)] Industry and/or sector classifications used in this report are generally according to the Global Industry Classification Standard, which was developed by and is the exclusive property and a service mark of MSCI Inc. and Standard & Poor's.
[(b)] Non-income producing security.
[(c)] All or a portion of this security was out on loan at December 31, 2018.
[(d)] The money market fund and the Fund are affiliated by having the same investment adviser. The rate shown is the 7-day SEC standardized yield as of December 31, 2018.
[(e)] The security has been segregated to satisfy the commitment to return the cash collateral received in securities lending transactions upon the borrower's return of the securities loaned. See Note 1I.

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

Statement of Assets and Liabilities

December 31, 2018

Assets:	
Investments in securities, at value (Cost $160,240,604)*	$182,262,795
Investments in affiliated money market funds, at value and cost	2,277,991
Foreign currencies, at value (Cost $5,556)	5,743
Receivable for:	
Fund shares sold	148,093
Dividends	67,168
Investment for trustee deferred compensation and retirement plans	104,462
Other assets	6,648
Total assets	184,872,900
Liabilities:	
Payable for:	
Amount due to custodian	49,371
Fund shares reacquired	251,977
Collateral upon return of securities loaned	969,230
Accrued fees to affiliates	146,501
Accrued trustees' and officers' fees and benefits	4,506
Accrued other operating expenses	41,502
Trustee deferred compensation and retirement plans	113,687
Total liabilities	1,576,774
Net assets applicable to shares outstanding	$183,296,126
Net assets consist of:	
Shares of beneficial interest	$131,764,843
Distributable earnings	51,531,283
	$183,296,126
Net Assets:	
Series I	$ 91,501,432
Series II	$ 91,794,694
Shares outstanding, no par value, with an unlimited number of shares authorized:	
Series I	19,167,078
Series II	19,636,750
Series I:	
Net asset value per share	$ 4.77
Series II:	
Net asset value per share	$ 4.67

* At December 31, 2018, securities with an aggregate value of $963,771 were on loan to brokers.

Statement of Operations

For the year ended December 31, 2018

Investment income:	
Dividends (net of foreign withholding taxes of $2,455)	$ 1,407,775
Dividends from affiliated money market funds (includes securities lending income of $105)	38,624
Total investment income	1,446,399
Expenses:	
Advisory fees	1,712,480
Administrative services fees	398,222
Custodian fees	12,887
Distribution fees – Series II	295,931
Transfer agent fees	56,988
Trustees' and officers' fees and benefits	19,025
Reports to shareholders	10,691
Professional services fees	56,282
Other	7,586
Total expenses	2,570,092
Less: Fees waived	(2,394)
Net expenses	2,567,698
Net investment income (loss)	(1,121,299)
Realized and unrealized gain (loss):	
Net realized gain from:	
Investment securities (includes net gain from securities sold to affiliates of $7,516)	32,028,887
Foreign currencies	271
	32,029,158
Change in net unrealized appreciation (depreciation) of:	
Investment securities	(40,227,843)
Foreign currencies	131
	(40,227,712)
Net realized and unrealized gain (loss)	(8,198,554)
Net increase (decrease) in net assets resulting from operations	$ (9,319,853)

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

Statement of Changes in Net Assets

For the years ended December 31, 2018 and 2017

	2018	2017
Operations:		
Net investment income (loss)	$ (1,121,299)	$ (1,076,145)
Net realized gain	32,029,158	24,180,705
Change in net unrealized appreciation (depreciation)	(40,227,712)	22,465,950
Net increase (decrease) in net assets resulting from operations	(9,319,853)	45,570,510
Distributions to shareholders from distributable earnings[1]:		
Series I	(11,710,806)	(6,675,715)
Series II	(12,842,411)	(7,683,442)
Total distributions from distributable earnings	(24,553,217)	(14,359,157)
Share transactions-net:		
Series I	(1,294,488)	(2,907,769)
Series II	(13,180,099)	(8,386,056)
Net increase (decrease) in net assets resulting from share transactions	(14,474,587)	(11,293,825)
Net increase (decrease) in net assets	(48,347,657)	19,917,528
Net assets:		
Beginning of year	231,643,783	211,726,255
End of year	$183,296,126	$231,643,783

(1) The Securities and Exchange Commission eliminated the requirement to disclose distribution components separately, except for tax return of capital. For the year ended December 31, 2017, distributions to shareholders from distributable earnings consisted of distributions from net realized gains.

Notes to Financial Statements

December 31, 2018

NOTE 1—Significant Accounting Policies

Invesco V.I. Mid Cap Growth Fund (the "Fund") is a series portfolio of AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"). The Trust is a Delaware statutory trust registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end series management investment company. Information presented in these financial statements pertains only to the Fund. Matters affecting the Fund or each class will be voted on exclusively by the shareholders of the Fund or each class. Current Securities and Exchange Commission ("SEC") guidance, however, requires participating insurance companies offering separate accounts to vote shares proportionally in accordance with the instructions of the contract owners whose investments are funded by shares of each Fund or class.

The Fund's investment objective is to seek capital growth.

The Fund currently offers two classes of shares, Series I and Series II, both of which are offered to insurance company separate accounts funding variable annuity contracts and variable life insurance policies ("variable products").

The Fund is an investment company and accordingly follows the investment company accounting and reporting guidance in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 946, *Financial Services – Investment Companies*.

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

A. Security Valuations – Securities, including restricted securities, are valued according to the following policy.

A security listed or traded on an exchange (except convertible securities) is valued at its last sales price or official closing price as of the close of the customary trading session on the exchange where the security is principally traded, or lacking any sales or official closing price on a particular day, the security may be valued at the closing bid price on that day. Securities traded in the over-the-counter market are valued based on prices furnished by independent pricing services or market makers. When such securities are valued by an independent pricing service they may be considered fair valued. Futures contracts are valued at the final settlement price set by an exchange on which they are principally traded. Listed options are valued at the mean between the last bid and asked prices from the exchange on which they are principally traded. Options not listed on an exchange are valued by an independent source at the mean between the last bid and asked prices. For purposes of determining net asset value ("NAV") per share, futures and option contracts generally are valued 15 minutes after the close of the customary trading session of the New York Stock Exchange ("NYSE").

Investments in open-end and closed-end registered investment companies that do not trade on an exchange are valued at the end-of-day net asset value per share. Investments in open-end and closed-end registered investment companies that trade on an exchange are valued at the last sales price or official closing price as of the close of the customary trading session on the exchange where the security is principally traded.

Debt obligations (including convertible securities) and unlisted equities are fair valued using an evaluated quote provided by an independent pricing service. Evaluated quotes provided by the pricing service may be determined without exclusive reliance on quoted prices, and may reflect appropriate factors such as institution-size trading in similar groups of securities, developments related to specific securities, dividend rate (for unlisted equities), yield (for debt obligations), quality, type of issue, coupon rate (for debt obligations), maturity (for debt obligations), individual trading characteristics and other market data. Pricing services generally value debt obligations assuming orderly transactions of institutional round lot size, but a fund may hold or transact in the same securities in smaller, odd lot sizes. Odd lots often trade at lower prices than institutional round lots. Debt obligations are subject to interest rate and credit risks. In addition, all debt obligations involve some risk of default with respect to interest and/or principal payments.

Foreign securities' (including foreign exchange contracts) prices are converted into U.S. dollar amounts using the applicable exchange rates as of the close of the NYSE. If market quotations are available and reliable for foreign exchange-traded equity securities, the securities will be valued at the market quotations. Because trading hours for certain foreign securities end before the close of the NYSE, closing market quotations may become unreliable. If between the time trading ends on a particular security and the close of the customary trading session on the NYSE, events occur that the investment adviser determines are significant and make the closing price unreliable, the Fund may fair value the security. If the event is likely to have affected the closing price of the security, the security will be valued at fair value in good faith using procedures approved by the Board of Trustees. Adjustments to closing prices to reflect fair value may also be based on a screening process of an independent pricing service to indicate the degree of certainty, based on historical data, that the closing price in the principal market where a foreign security trades is not the current value as of the close of the NYSE. Foreign securities' prices meeting the approved degree of certainty that the price is not reflective of current value will be priced at the indication of fair value from the independent pricing service. Multiple factors may be considered by the independent pricing service in determining adjustments to reflect fair value and may include information relating to sector indices, American Depositary Receipts and domestic and foreign index futures. Foreign securities may have additional risks including exchange rate changes, potential for sharply devalued currencies and high inflation, political and economic upheaval, the relative lack of issuer information, relatively low market liquidity and the potential lack of strict financial and accounting controls and standards.

Securities for which market prices are not provided by any of the above methods may be valued based upon quotes furnished by independent sources. The last bid price may be used to value equity securities. The mean between the last bid and asked prices is used to value debt obligations, including corporate loans.

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

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

Valuations change in response to many factors including the historical and prospective earnings of the issuer, the value of the issuer's assets, general economic conditions, interest rates, investor perceptions and market liquidity. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

B. Securities Transactions and Investment Income – Securities transactions are accounted for on a trade date basis. Realized gains or losses on sales are computed on the basis of specific identification of the securities sold. Interest income (net of withholding tax, if any) is recorded on the accrual basis from settlement date. Dividend income (net of withholding tax, if any) is recorded on the ex-dividend date.

The Fund may periodically participate in litigation related to Fund investments. As such, the Fund may receive proceeds from litigation settlements. Any proceeds received are included in the Statement of Operations as realized gain (loss) for investments no longer held and as unrealized gain (loss) for investments still held.

Brokerage commissions and mark ups are considered transaction costs and are recorded as an increase to the cost basis of securities purchased and/or a reduction of proceeds on a sale of securities. Such transaction costs are included in the determination of net realized and unrealized gain (loss) from investment securities reported in the Statement of Operations and the Statement of Changes in Net Assets and the net realized and unrealized gains (losses) on securities per share in the Financial Highlights. Transaction costs are included in the calculation of the Fund's net asset value and, accordingly, they reduce the Fund's total returns. These transaction costs are not considered operating expenses and are not reflected in net investment income reported in the Statement of Operations and the Statement of Changes in Net Assets, or the net investment income per share and the ratios of expenses and net investment income reported in the Financial Highlights, nor are they limited by any expense limitation arrangements between the Fund and the investment adviser.

The Fund allocates income and realized and unrealized capital gains and losses to a class based on the relative net assets of each class.

C. Country Determination – For the purposes of making investment selection decisions and presentation in the Schedule of Investments, the investment adviser may determine the country in which an issuer is located and/or credit risk exposure based on various factors. These factors include the laws of the country under which the issuer is organized, where the issuer maintains a principal office, the country in which the issuer derives 50% or more of its total revenues and the country that has the primary market for the issuer's securities, as well as other criteria. Among the other criteria that may be evaluated for making this determination are the country in which the issuer maintains 50% or more of its assets, the type of security, financial guarantees and enhancements, the nature of the collateral and the sponsor organization. Country of issuer and/or credit risk exposure has been determined to be the United States of America, unless otherwise noted.

D. Distributions – Distributions from net investment income and net realized capital gain, if any, are generally declared and paid to separate accounts of participating insurance companies annually and recorded on the ex-dividend date.

E. Federal Income Taxes – The Fund intends to comply with the requirements of Subchapter M of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), necessary to qualify as a regulated investment company and to distribute substantially all of the Fund's taxable earnings to shareholders. As such, the Fund will not be subject to federal income taxes on otherwise taxable income (including net realized capital gain) that is distributed to shareholders. Therefore, no provision for federal income taxes is recorded in the financial statements.

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

The Fund files tax returns in the U.S. Federal jurisdiction and certain other jurisdictions. Generally, the Fund is subject to examinations by such taxing authorities for up to three years after the filing of the return for the tax period.

F. Expenses – Fees provided for under the Rule 12b-1 plan of a particular class of the Fund and which are directly attributable to that class are charged to the operations of such class. All other expenses are allocated among the classes based on relative net assets.

G. Accounting Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period including estimates and assumptions related to taxation. Actual results could differ from those estimates by a significant amount. In addition, the Fund monitors for material events or transactions that may occur or become known after the period-end date and before the date the financial statements are released to print.

H. Indemnifications – Under the Trust's organizational documents, each Trustee, officer, employee or other agent of the Trust is indemnified against certain liabilities that may arise out of the performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts, including the Fund's servicing agreements, that contain a variety of indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. The risk of material loss as a result of such indemnification claims is considered remote.

I. Securities Lending – The Fund may lend portfolio securities having a market value up to one-third of the Fund's total assets. Such loans are secured by collateral equal to no less than the market value of the loaned securities determined daily by the securities lending provider. Such collateral will be cash or debt securities issued or guaranteed by the U.S. Government or any of its sponsored agencies. Cash collateral received in connection with these loans is invested in short-term money market instruments or affiliated money market funds and is shown as such on the Schedule of Investments. The Fund bears the risk of loss with respect to the investment of collateral. It is the Fund's policy to obtain additional collateral from or return excess collateral to the borrower by the end of the next business day, following the valuation date of the securities loaned. Therefore, the value of the collateral held may be temporarily less than the value of the securities on loan. When loaning securities, the Fund retains certain benefits of owning the securities, including the economic equivalent of dividends or interest generated by the security. Lending securities entails a risk of loss to the Fund if, and to the extent that, the market value of the securities loaned were to increase and the borrower did not increase the collateral accordingly, and the borrower failed to return the securities. The securities loaned are subject to termination at the option of the borrower or the Fund. Upon termination, the borrower will return to the Fund the securities loaned and the Fund will return the collateral. Upon the failure of the borrower to return the securities, collateral may be liquidated and the securities may be purchased on the open market to replace the loaned securities. The Fund could experience delays and costs in gaining access to the collateral and the securities may lose value during the delay which could result in potential losses to the Fund. Some of these losses may be indemnified by the lending agent. The Fund bears the risk of any deficiency in the amount of the collateral available for return to the borrower due to any loss on the collateral invested. Dividends received on cash collateral investments for securities lending transactions, which are net of compensation to counterparties, are included in *Dividends from affiliated money market funds* on the Statement of Operations. The aggregate value of securities out on loan, if any, is shown as a footnote on the Statement of Assets and Liabilities.

J. Foreign Currency Translations – Foreign currency is valued at the close of the NYSE based on quotations posted by banks and major currency dealers. Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the date of valuation. Purchases and sales of portfolio securities (net of foreign taxes withheld on disposition) and income items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. The Fund does not separately account for the portion of the results of operations resulting from changes in foreign exchange rates on investments and the fluctuations arising from changes in market prices of securities held. The combined results of changes in foreign exchange rates and the fluctuation of market prices on investments (net of estimated foreign tax withholding) are included with the net realized and unrealized gain or loss from investments in the Statement of Operations. Reported net realized foreign currency gains or losses arise from (1) sales of foreign currencies, (2) currency gains or losses realized between the trade and settlement dates on securities transactions, and (3) the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign currency gains and losses arise from changes in the fair values of assets and liabilities, other than investments in securities at fiscal period end, resulting from changes in exchange rates.

The Fund may invest in foreign securities, which may be subject to foreign taxes on income, gains on investments or currency repatriation, a portion of which may be recoverable. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests and are shown in the Statement of Operations.

K. Forward Foreign Currency Contracts – The Fund may engage in foreign currency transactions either on a spot (i.e. for prompt delivery and settlement) basis, or through forward foreign currency contracts, to manage or minimize currency or exchange rate risk.

The Fund may also enter into forward foreign currency contracts for the purchase or sale of a security denominated in a foreign currency in order to "lock in" the U.S. dollar price of that security, or the Fund may also enter into forward foreign currency contracts that do not provide for physical settlement of the two currencies, but instead are settled by a single cash payment calculated as the difference between the agreed upon exchange rate and the spot rate at settlement based upon an agreed upon notional amount (non-deliverable forwards). The Fund will set aside liquid assets in an amount equal to the daily mark-to-market obligation for forward foreign currency contracts.

A forward foreign currency contract is an obligation between two parties ("Counterparties") to purchase or sell a specific currency for an agreed-upon price at a future date. The use of forward foreign currency contracts does not eliminate fluctuations in the price of the underlying securities the Fund owns or intends to acquire but establishes a rate of exchange in advance. Fluctuations in the value of these contracts are measured by the difference in the contract date and reporting date exchange rates and are recorded as unrealized appreciation (depreciation) until the contracts are closed. When the contracts are closed, realized gains (losses) are recorded. Realized and unrealized gains (losses) on the contracts are included in the Statement of Operations. The primary risks associated with forward foreign currency contracts include failure of the Counterparty to meet the terms of the contract and the value of the foreign currency changing unfavorably. These risks may be in excess of the amounts reflected in the Statement of Assets and Liabilities.

NOTE 2—Advisory Fees and Other Fees Paid to Affiliates

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

Average Daily Net Assets	Rate
First $500 million	0.75%
Next $500 million	0.70%
Over $1 billion	0.65%

For the year ended December 31, 2018, the effective advisory fees incurred by the Fund was 0.75%.

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

The Adviser has contractually agreed, through at least June 30, 2019, to waive advisory fees and/or reimburse expenses of all shares to the extent necessary to limit total annual fund operating expenses after fee waiver and/or expense reimbursement (excluding certain items discussed below) of Series I shares to 2.00% and Series II shares to 2.25% of average daily net assets (the "expense limits"). In determining the Adviser's obligation to waive advisory fees and/or reimburse expenses, the following expenses are not taken into account, and could cause the total annual fund operating expenses after fee waiver and/or expense reimbursement to exceed the numbers reflected above: (1) interest; (2) taxes; (3) dividend expense on short sales; (4) extraordinary or non-routine items, including litigation expenses; and (5) expenses that the Fund has incurred but did not actually pay because of an expense offset arrangement. Unless Invesco continues the fee waiver agreement, it will terminate on June 30, 2019. During its term, the fee waiver agreement cannot be terminated or amended to increase expense limits or reduce the advisory fee waiver without approval of the Board of Trustees. The Adviser did not waive fees and/or reimburse expenses during the period under these expense limits.

Further, the Adviser has contractually agreed, through at least June 30, 2020, to waive the advisory fee payable by the Fund in an amount equal to 100% of the net advisory fees the Adviser receives from the affiliated money market funds on investments by the Fund of uninvested cash (excluding investments of cash collateral from securities lending) in such affiliated money market funds.

For the year ended December 31, 2018, the Adviser waived advisory fees of $2,394.

The Trust has entered into a master administrative services agreement with Invesco pursuant to which the Fund has agreed to pay Invesco a fee for costs incurred in providing accounting services and fund administrative services to the Fund and to reimburse Invesco for fees paid to insurance companies that have agreed to provide certain administrative services to the Fund. These administrative services provided by the insurance companies may include, among other things: maintenance of master accounts with the Fund; tracking, recording and transmitting net purchase and redemption orders for Fund shares; maintaining and preserving records related to the purchase, redemption and other account activity of variable product owners; distributing copies of Fund documents such as prospectuses, proxy materials and periodic reports, to variable product owners, and responding to inquiries from variable product owners about the Fund. Pursuant to such agreement, for the year ended December 31, 2018, Invesco was paid $57,517 for accounting and fund administrative services and was reimbursed $340,705 for fees paid to insurance companies.

The Trust has entered into a transfer agency and service agreement with Invesco Investment Services, Inc. ("IIS") pursuant to which the Fund has agreed to pay IIS a fee for providing transfer agency and shareholder services to the Fund and reimburse IIS for certain expenses incurred by IIS in the course of providing such services. For the year ended December 31, 2018, expenses incurred under the agreement are shown in the Statement of Operations as *Transfer agent fees*.

The Trust has entered into a master distribution agreement with Invesco Distributors, Inc. ("IDI") to serve as the distributor for the Fund. The Trust has adopted a plan pursuant to Rule 12b-1 under the 1940 Act with respect to the Fund's Series II shares (the "Plan"). The Fund, pursuant to the Plan, pays IDI compensation at the annual rate of 0.25% of the Fund's average daily net assets of Series II shares. The fees are accrued daily and paid monthly. Of the Plan payments, up to 0.25% of the average daily net assets of the Series II shares may be paid to insurance companies who furnish continuing personal shareholder services to customers who purchase and own Series II shares of the Fund. For the year ended December 31, 2018, expenses incurred under the Plan are detailed in the Statement of Operations as *Distribution fees*.

For the year ended December 31, 2018, the Fund incurred $1,511 in brokerage commissions with Invesco Capital Markets, Inc., an affiliate of the Adviser and IDI, for portfolio transactions executed on behalf of the Fund.

Certain officers and trustees of the Trust are officers and directors of the Adviser, IIS and/or IDI.

NOTE 3—Additional Valuation Information

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under current market conditions. GAAP establishes a hierarchy that prioritizes the inputs to valuation methods, giving the highest priority to readily available unadjusted quoted prices in an active market for identical assets (Level 1) and the lowest priority to significant unobservable inputs (Level 3), generally when market prices are not readily available or are unreliable. Based on the valuation inputs, the securities or other investments are tiered into one of three levels. Changes in valuation methods may result in transfers in or out of an investment's assigned level:

Level 1 − Prices are determined using quoted prices in an active market for identical assets.

Level 2 − Prices are determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, yield curves, loss severities, default rates, discount rates, volatilities and others.

Level 3 − Prices are determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Fund's own assumptions about the factors market participants would use in determining fair value of the securities or instruments and would be based on the best available information.

The following is a summary of the tiered valuation input levels, as of December 31, 2018. The level assigned to the securities valuations may not be an indication of the risk or liquidity associated with investing in those securities. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

	Level 1	Level 2	Level 3	Total
Investments in Securities				
Common Stocks & Other Equity Interests	$178,761,477	$3,501,318	$–	$182,262,795
Money Market Funds	2,277,991	–	–	2,277,991
Total Investments	$181,039,468	$3,501,318	$–	$184,540,786

NOTE 4—Security Transactions with Affiliated Funds

The Fund is permitted to purchase or sell securities from or to certain other Invesco Funds under specified conditions outlined in procedures adopted by the Board of Trustees of the Trust. The procedures have been designed to ensure that any purchase or sale of securities by the Fund from or to another fund or portfolio that is or could be considered an affiliate by virtue of having a common investment adviser (or affiliated investment advisers), common Trustees and/or common officers complies with Rule 17a-7 of the 1940 Act. Further, as defined under the procedures, each transaction is effected at the current market price. Pursuant to these procedures, for the year ended December 31, 2018, the Fund engaged in securities sales of $207,797, which resulted in net realized gains of $7,516.

NOTE 5—Trustees' and Officers' Fees and Benefits

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

NOTE 6—Cash Balances

The Fund is permitted to temporarily carry a negative or overdrawn balance in its account with State Street Bank and Trust Company, the custodian bank. Such balances, if any at period-end, are shown in the Statement of Assets and Liabilities under the payable caption *Amount due custodian*. To compensate the custodian bank for such overdrafts, the overdrawn Fund may either (1) leave funds as a compensating balance in the account so the custodian bank can be compensated by earning the additional interest; or (2) compensate by paying the custodian bank at a rate agreed upon by the custodian bank and Invesco, not to exceed the contractually agreed upon rate.

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

Tax Character of Distributions to Shareholders Paid During the Fiscal Years Ended December 31, 2018 and 2017:

	2018	2017
Long-term capital gain	$24,553,217	$14,359,157

Tax Components of Net Assets at Period-End:

	2018
Undistributed long-term gain	$ 30,888,306
Net unrealized appreciation — investments	20,748,362
Net unrealized appreciation — foreign currencies	187
Temporary book/tax differences	(105,572)
Shares of beneficial interest	131,764,843
Total net assets	$183,296,126

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

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

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

The Fund does not have a capital loss carryforward as of December 31, 2018.

NOTE 8—Investment Transactions

The aggregate amount of investment securities (other than short-term securities, U.S. Treasury obligations and money market funds, if any) purchased and sold by the Fund during the year ended December 31, 2018 was $128,429,882 and $169,491,780, respectively. Cost of investments, including any derivatives, on a tax basis includes the adjustments for financial reporting purposes as of the most recently completed federal income tax reporting period-end.

Unrealized Appreciation (Depreciation) of Investments on a Tax Basis	
Aggregate unrealized appreciation of investments	$ 34,753,967
Aggregate unrealized (depreciation) of investments	(14,005,605)
Net unrealized appreciation of investments	$ 20,748,362

Cost of investments for tax purposes is $163,792,424.

NOTE 9—Reclassification of Permanent Differences

Primarily as a result of differing book/tax treatment of net operating losses, on December 31, 2018, undistributed net investment income (loss) was increased by $1,155,274, undistributed net realized gain was increased by $2,138 and shares of beneficial interest was decreased by $1,157,412. This reclassification had no effect on the net assets of the Fund.

NOTE 10—Share Information

	Summary of Share Activity			
	Years ended December 31,			
	2018[a]		2017	
	Shares	Amount	Shares	Amount
Sold:				
Series I	1,634,000	$ 9,588,108	2,110,516	$ 11,337,794
Series II	1,697,932	9,678,387	1,772,258	9,394,698
Issued as reinvestment of dividends:				
Series I	2,026,091	11,710,806	1,252,479	6,675,715
Series II	2,264,976	12,842,411	1,463,513	7,683,442
Reacquired:				
Series I	(3,918,877)	(22,593,402)	(3,864,213)	(20,921,278)
Series II	(6,472,581)	(35,700,897)	(4,767,695)	(25,464,196)
Net increase (decrease) in share activity	(2,768,459)	$(14,474,587)	(2,033,142)	$(11,293,825)

(a) There are entities that are record owners of more than 5% of the outstanding shares of the Fund and in the aggregate own 54% of the outstanding shares of the Fund. The Fund and the Fund's principal underwriter or adviser, are parties to participation agreements with these entities whereby these entities sell units of interest in separate accounts funding variable products that are invested in the Fund. The Fund, Invesco and/or Invesco affiliates may make payments to these entities, which are considered to be related to the Fund, for providing services to the Fund, Invesco and/or Invesco affiliates including but not limited to services such as, securities brokerage, third party record keeping and account servicing and administrative services. The Fund has no knowledge as to whether all or any portion of the shares owned of record by these entities are also owned beneficially.

NOTE 11—Financial Highlights

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

	Net asset value, beginning of period	Net investment income (loss)[a]	Net gains (losses) on securities (both realized and unrealized)	Total from investment operations	Distributions from net realized gains	Net asset value, end of period	Total return[b]	Net assets, end of period (000's omitted)	Ratio of expenses to average net assets with fee waivers and/or expenses absorbed	Ratio of expenses to average net assets without fee waivers and/or expenses absorbed	Ratio of net investment income (loss) to average net assets	Portfolio turnover[c]
Series I												
Year ended 12/31/18	$5.62	$(0.02)	$(0.18)	$(0.20)	$(0.65)	$4.77	(5.58)%	$ 91,501	1.00%[d]	1.00%[d]	(0.37)%[d]	57%
Year ended 12/31/17	4.89	(0.02)	1.10	1.08	(0.35)	5.62	22.49	109,197	1.00	1.00	(0.34)	46
Year ended 12/31/16	5.38	(0.02)	0.07	0.05	(0.54)	4.89	0.76	97,444	1.03	1.03	(0.39)	60
Year ended 12/31/15	5.78	(0.02)	0.08	0.06	(0.46)	5.38	1.21	103,632	1.07	1.07	(0.33)	62
Year ended 12/31/14	5.35	(0.02)	0.45	0.43	–	5.78	8.04	106,390	1.07	1.07	(0.36)	71
Series II												
Year ended 12/31/18	5.53	(0.03)	(0.18)	(0.21)	(0.65)	4.67	(5.87)	91,795	1.25[d]	1.25[d]	(0.62)[d]	57
Year ended 12/31/17	4.83	(0.03)	1.08	1.05	(0.35)	5.53	22.14	122,447	1.25	1.25	(0.59)	46
Year ended 12/31/16	5.33	(0.03)	0.07	0.04	(0.54)	4.83	0.57	114,282	1.28	1.28	(0.64)	60
Year ended 12/31/15	5.74	(0.03)	0.08	0.05	(0.46)	5.33	1.04	158,684	1.32	1.32	(0.58)	62
Year ended 12/31/14	5.33	(0.03)	0.44	0.41	–	5.74	7.69	162,299	1.32	1.32	(0.61)	71

(a) Calculated using average shares outstanding.
(b) Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Total returns are not annualized for periods less than one year, if applicable, and do not reflect charges assessed in connection with a variable product, which if included would reduce total returns.
(c) Portfolio turnover is calculated at the fund level and is not annualized for periods less than one year, if applicable.
(d) Ratios are based on average daily net assets (000's omitted) of $109,958 and $118,373 for Series I and Series II shares, respectively.

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Invesco V.I. Mid Cap Growth Fund (one of the funds constituting AIM Variable Insurance Funds (Invesco Variable Insurance Funds), hereafter referred to as the "Fund") as of December 31, 2018, the related statement of operations for the year ended December 31, 2018, the statement of changes in net assets for each of the two years in the period ended December 31, 2018, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2018 (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, 2018, 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, 2018 and the financial highlights for each of the five years in the period ended December 31, 2018 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, 2018 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

Houston, TX
February 14, 2019

We have served as the auditor of one or more of the investment companies in the Invesco group of investment companies since at least 1995. We have not been able to determine the specific year we began serving as auditor.

Calculating your ongoing Fund expenses

Example

As a shareholder of the Fund, you incur ongoing costs, including management fees; distribution and/or service fees (12b-1); and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with ongoing costs of investing in other mutual funds. The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period July 1, 2018 through December 31, 2018.

The actual and hypothetical expenses in the examples below do not represent the effect of any fees or other expenses assessed in connection with a variable product; if they did, the expenses shown would be higher while the ending account values shown would be lower.

Actual expenses

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

Hypothetical example for comparison purposes

The table below also provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return.

The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs. Therefore, the hypothetical information is useful in comparing ongoing costs, and will not help you determine the relative total costs of owning different funds.

		ACTUAL		HYPOTHETICAL (5% annual return before expenses)		
Class	Beginning Account Value (07/01/18)	Ending Account Value (12/31/18)[1]	Expenses Paid During Period[2]	Ending Account Value (12/31/18)	Expenses Paid During Period[2]	Annualized Expense Ratio
Series I	$1,000.00	$874.20	$4.68	$1,020.21	$5.04	0.99%
Series II	1,000.00	873.40	5.86	1,018.95	6.31	1.24

[1] The actual ending account value is based on the actual total return of the Fund for the period July 1, 2018 through December 31, 2018, after actual expenses and will differ from the hypothetical ending account value which is based on the Fund's expense ratio and a hypothetical annual return of 5% before expenses.

[2] Expenses are equal to the Fund's annualized expense ratio as indicated above multiplied by the average account value over the period, multiplied by 184/365 to reflect the most recent fiscal half year.

Tax Information

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

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

The Fund designates the following amounts or, if subsequently determined to be different, the maximum amount allowable for its fiscal year ended December 31, 2018:

Federal and State Income Tax	
Long-Term Capital Gain Distributions	$24,553,217
Corporate Dividends Received Deduction*	0.00%
U.S. Treasury Obligations*	0.00%

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

Trustees and Officers

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

Name , Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Interested Persons				
Martin L. Flanagan[1] – 1960 Trustee	2007	Executive Director, Chief Executive Officer and President, Invesco Ltd. (ultimate parent of Invesco and a global investment management firm); Trustee, The Invesco Funds; Vice Chair, Investment Company Institute; and Member of Executive Board, SMU Cox School of Business Formerly: Advisor to the Board, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.); Chairman and Chief Executive Officer, Invesco Advisers, Inc. (registered investment adviser); Director, Chairman, Chief Executive Officer and President, Invesco Holding Company (US), Inc. (formerly IVZ Inc.) (holding company), Invesco Group Services, Inc. (service provider) and Invesco North American Holdings, Inc. (holding company); Director, Chief Executive Officer and President, Invesco Holding Company Limited (parent of Invesco and a global investment management firm); Director, Invesco Ltd.; Chairman, Investment Company Institute and President, Co-Chief Executive Officer, Co-President, Chief Operating Officer and Chief Financial Officer, Franklin Resources, Inc. (global investment management organization)	158	None
Philip A. Taylor[2] – 1954 Trustee and Senior Vice President	2006	Head of the Americas and Senior Managing Director, Invesco Ltd.; Director, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Director and Chairman, Invesco Investment Services, Inc. (formerly known as Invesco AIM Investment Services, Inc.) (registered transfer agent); Chief Executive Officer, Invesco Corporate Class Inc. (corporate mutual fund company); Director, Chairman and Chief Executive Officer, Invesco Canada Ltd. (formerly known as Invesco Trimark Ltd./Invesco Trimark Ltèe) (registered investment adviser and registered transfer agent); Trustee and Senior Vice President, The Invesco Funds; Director, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management) Formerly: Director, Chairman, Chief Executive Officer and President, Invesco Management Group, Inc. (formerly known as Invesco AIM Management Group, Inc.) (financial services holding company); Co-Chairman, Co-President and Co-Chief Executive Officer, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Director, Chief Executive Officer and President, Van Kampen Exchange Corp; President and Principal Executive Officer, The Invesco Funds (other than AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust), Short-Term Investments Trust and Invesco Management Trust); Executive Vice President, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust), Short-Term Investments Trust and Invesco Management Trust only); Director and President, INVESCO Funds Group, Inc. (registered investment adviser and registered transfer agent); Director and Chairman, IVZ Distributors, Inc. (formerly known as INVESCO Distributors, Inc.) (registered broker dealer); Director, President and Chairman, Invesco Inc. (holding company), Invesco Canada Holdings Inc. (holding company), Trimark Investments Ltd./ Placements Trimark Ltèe and Invesco Financial Services Ltd/Services Financiers Invesco Ltèe; Chief Executive Officer, Invesco Canada Fund Inc. (corporate mutual fund company); Director and Chairman, Van Kampen Investor Services Inc.; Director, Chief Executive Officer and President, 1371 Preferred Inc. (holding company) and Van Kampen Investments Inc.; Director and President, AIM GP Canada Inc. (general partner for limited partnerships) and Van Kampen Advisors, Inc.; Director and Chief Executive Officer, Invesco Trimark Dealer Inc. (registered broker dealer); Director, Invesco Distributors, Inc. (formerly known as Invesco AIM Distributors, Inc.) (registered broker dealer); Manager, Invesco Capital Management LLC; Director, Chief Executive Officer and President, Invesco Advisers, Inc.; Director, Chairman, Chief Executive Officer and President, Invesco AIM Capital Management, Inc.; President, Invesco Trimark Dealer Inc. and Invesco Trimark Ltd./Invesco Trimark Ltèe; Director and President, AIM Trimark Corporate Class Inc. and AIM Trimark Canada Fund Inc.; Senior Managing Director, Invesco Holding Company Limited; Director and Chairman, Fund Management Company (former registered broker dealer); President and Principal Executive Officer, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust), and Short-Term Investments Trust only); President, AIM Trimark Global Fund Inc. and AIM Trimark Canada Fund Inc.	158	None

1 Mr. Flanagan is considered an interested person (within the meaning of Section 2(a)(19) of the 1940 Act) of the Trust because he is an officer of the Adviser to the Trust, and an officer and a director of Invesco Ltd., ultimate parent of the Adviser.

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

Trustees and Officers–(continued)

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Independent Trustees				
Bruce L. Crockett – 1944 Trustee and Chair	1993	Chairman, Crockett Technologies Associates (technology consulting company) Formerly: Director, Captaris (unified messaging provider); Director, President and Chief Executive Officer, COMSAT Corporation; Chairman, Board of Governors of INTELSAT (international communications company); ACE Limited (insurance company); Independent Directors Council and Investment Company Institute: Member of the Audit Committee, Investment Company Institute; Member of the Executive Committee and Chair of the Governance Committee, Independent Directors Council	158	Director and Chairman of the Audit Committee, ALPS (Attorneys Liability Protection Society) (insurance company); Director and Member of the Audit Committee and Compensation Committee, Ferroglobe PLC (metallurgical company)
David C. Arch – 1945 Trustee	2010	Chairman of Blistex Inc. (consumer health care products manufacturer); Member, World Presidents' Organization	158	Board member of the Illinois Manufacturers' Association
Jack M. Fields – 1952 Trustee	1997	Chief Executive Officer, Twenty First Century Group, Inc. (government affairs company); and Chairman, Discovery Learning Alliance (non-profit) Formerly: Owner and Chief Executive Officer, Dos Angeles Ranch L.P. (cattle, hunting, corporate entertainment); Director, Insperity, Inc. (formerly known as Administaff) (human resources provider); Chief Executive Officer, Texana Timber LP (sustainable forestry company); Director of Cross Timbers Quail Research Ranch (non-profit); and member of the U.S. House of Representatives	158	None
Cynthia Hostetler – 1962 Trustee	2017	Non-Executive Director and Trustee of a number of public and private business corporations Formerly: Director, Aberdeen Investment Funds (4 portfolios); Head of Investment Funds and Private Equity, Overseas Private Investment Corporation; President, First Manhattan Bancorporation, Inc.; Attorney, Simpson Thacher & Bartlett LLP	158	Vulcan Materials Company (construction materials company); Trilinc Global Impact Fund; Genesse Wyoming, Inc. (railroads); Artio Global Investment LLC (mutual fund complex); Edgen Group, Inc. (specialized energy and infrastructure products distributor); Investment Company Institute (professional organization); Independent Directors Council (professional organization)
Eli Jones – 1961 Trustee	2016	Professor and Dean, Mays Business School – Texas A&M University Formerly: Professor and Dean, Walton College of Business, University of Arkansas and E.J. Ourso College of Business, Louisiana State University; Director, Arvest Bank	158	Insperity, Inc. (formerly known as Administaff) (human resources provider)
Prema Mathai-Davis – 1950 Trustee	1998	Retired Co-Owner & Partner of Quantalytics Research, LLC, (a FinTech Investment Research Platform for the Self-Directed Investor)	158	None
Teresa M. Ressel – 1962 Trustee	2017	Non-executive director and trustee of a number of public and private business corporations Formerly: Chief Financial Officer, Olayan America, The Olayan Group (international investor/commercial/industrial); Chief Executive Officer, UBS Securities LLC; Group Chief Operating Officer, Americas, UBS AG; Assistant Secretary for Management & Budget and CFO, US Department of the Treasury	158	Atlantic Power Corporation (power generation company); ON Semiconductor Corp. (semiconductor supplier)
Ann Barnett Stern – 1957 Trustee	2017	President and Chief Executive Officer, Houston Endowment Inc. (private philanthropic institution) Formerly: Executive Vice President and General Counsel, Texas Children's Hospital; Attorney, Beck, Redden and Secrest, LLP; Business Law Instructor, University of St. Thomas; Attorney, Andrews & Kurth LLP	158	Federal Reserve Bank of Dallas
Raymond Stickel, Jr. – 1944 Trustee	2005	Retired Formerly: Director, Mainstay VP Series Funds, Inc. (25 portfolios); Partner, Deloitte & Touche	158	None
Robert C. Troccoli – 1949 Trustee	2016	Adjunct Professor, University of Denver – Daniels College of Business Formerly: Senior Partner, KPMG LLP	158	None
Christopher L. Wilson – 1957 Trustee	2017	Non-executive director and trustee of a number of public and private business corporations Formerly: Director, TD Asset Management USA Inc. (mutual fund complex) (22 portfolios); Managing Partner, CT2, LLC (investing and consulting firm); President/Chief Executive Officer, Columbia Funds, Bank of America Corporation; President/Chief Executive Officer, CDC IXIS Asset Management Services, Inc.; Principal & Director of Operations, Scudder Funds, Scudder, Stevens & Clark, Inc.; Assistant Vice President, Fidelity Investments	158	ISO New England, Inc. (non-profit organization managing regional electricity market)

Trustees and Officers–(continued)

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Other Officers				
Sheri Morris – 1964 President, Principal Executive Officer and Treasurer	1999	President, Principal Executive Officer and Treasurer, The Invesco Funds; Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); and Vice President, Invesco Exchange-Traded Fund Trust, Invesco Exchange-Traded Fund Trust II, Invesco India Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Commodity Fund Trust and Invesco Exchange-Traded Self-Indexed Fund Trust Formerly: Vice President and Principal Financial Officer, The Invesco Funds; Vice President, Invesco AIM Advisers, Inc., Invesco AIM Capital Management, Inc. and Invesco AIM Private Asset Management, Inc.; Assistant Vice President and Assistant Treasurer, The Invesco Funds and Assistant Vice President, Invesco Advisers, Inc., Invesco AIM Capital Management, Inc. and Invesco AIM Private Asset Management, Inc.; and Treasurer, Invesco Exchange-Traded Fund Trust, Invesco Exchange-Traded Fund Trust II, Invesco India Exchange-Traded Fund Trust and Invesco Actively Managed Exchange-Traded Fund Trust	N/A	N/A
Russell C. Burk – 1958 Senior Vice President and Senior Officer	2005	Senior Vice President and Senior Officer, The Invesco Funds	N/A	N/A
Jeffrey H. Kupor – 1968 Senior Vice President, Chief Legal Officer and Secretary	2018	Head of Legal of the Americas; Senior Vice President and Secretary, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Senior Vice President and Secretary, Invesco Distributors, Inc. (formerly known as Invesco AIM Distributors, Inc.); Vice President and Secretary, Invesco Investment Services, Inc. (formerly known as Invesco AIM Investment Services, Inc.) Senior Vice President, Chief Legal Officer and Secretary, The Invesco Funds; Secretary and General Counsel, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management); Secretary and General Counsel, Invesco Capital Markets, Inc. (formerly known as Van Kampen Funds Inc.) and Chief Legal Officer, Invesco Exchange-Traded Fund Trust, Invesco Exchange-Traded Fund Trust II, Invesco India Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Commodity Fund Trust and Invesco Exchange-Traded Self-Indexed Fund Trust; Secretary, Invesco Indexing LLC; Secretary, W.L. Ross & Co., LLC; Secretary and Vice President, Jemstep, Inc. Formerly: Head of Legal, Worldwide Institutional; Secretary and General Counsel, INVESCO Private Capital Investments, Inc.; Senior Vice President, Secretary and General Counsel, Invesco Management Group, Inc. (formerly known as Invesco AIM Management Group, Inc.); Assistant Secretary, INVESCO Asset Management (Bermuda) Ltd.; Secretary and General Counsel, Invesco Private Capital, Inc.; Assistant Secretary and General Counsel, INVESCO Realty, Inc.; Secretary and General Counsel, Invesco Senior Secured Management, Inc.; and Secretary, Sovereign G./P. Holdings Inc.	N/A	N/A
John M. Zerr – 1962 Senior Vice President	2006	Chief Operating Officer of the Americas; Senior Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Senior Vice President, Invesco Distributors, Inc. (formerly known as Invesco AIM Distributors, Inc.); Director and Vice President, Invesco Investment Services, Inc. (formerly known as Invesco AIM Investment Services, Inc.) Senior Vice President, The Invesco Funds; Managing Director, Invesco Capital Management LLC; Director, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management); Senior Vice President, Invesco Capital Markets, Inc. (formerly known as Van Kampen Funds Inc.); Manager, Invesco Indexing LLC Formerly: Director and Senior Vice President, Invesco Management Group, Inc. (formerly known as Invesco AIM Management Group, Inc.); Secretary and General Counsel, Invesco Management Group, Inc. (formerly known as Invesco AIM Management Group, Inc.); Secretary, Invesco Investment Services, Inc. (formerly known as Invesco AIM Investment Services, Inc.); Chief Legal Officer and Secretary, The Invesco Funds; Secretary and General Counsel, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management); Secretary and General Counsel, Invesco Capital Markets, Inc. (formerly known as Van Kampen Funds Inc.); Chief Legal Officer, Invesco Exchange-Traded Fund Trust, Invesco Exchange-Traded Fund Trust II, Invesco India Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Commodity Fund Trust and Invesco Exchange-Traded Self-Indexed Fund Trust; Secretary, Invesco Indexing LLC; Director, Secretary, General Counsel and Senior Vice President, Van Kampen Exchange Corp.; Director, Vice President and Secretary, IVZ Distributors, Inc. (formerly known as INVESCO Distributors, Inc.); Director and Vice President, INVESCO Funds Group, Inc.; Director and Vice President, Van Kampen Advisors Inc.; Director, Vice President, Secretary and General Counsel, Van Kampen Investor Services Inc.; Director and Secretary, Invesco Distributors, Inc. (formerly known as Invesco AIM Distributors, Inc.); Director, Senior Vice President, General Counsel and Secretary, Invesco AIM Advisers, Inc. and Van Kampen Investments Inc.; Director, Vice President and Secretary, Fund Management Company; Director, Senior Vice President, Secretary, General Counsel and Vice President, Invesco AIM Capital Management, Inc.; Chief Operating Officer and General Counsel, Liberty Ridge Capital, Inc. (an investment adviser)	N/A	N/A

Trustees and Officers–(continued)

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Other Officers—(continued)				
Gregory G. McGreevey – 1962 Senior Vice President	2012	Senior Managing Director, Invesco Ltd.; Director, Chairman, President, and Chief Executive Officer, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Director, Invesco Mortgage Capital, Inc. and Invesco Senior Secured Management, Inc.; and Senior Vice President, The Invesco Funds Formerly: Senior Vice President, Invesco Management Group, Inc. and Invesco Advisers, Inc.; Assistant Vice President, The Invesco Funds	N/A	N/A
Kelli Gallegos – 1970 Vice President, Principal Financial Officer and Assistant Treasurer	2008	Vice President and Treasurer, Invesco Exchange-Traded Fund Trust, Invesco Exchange-Traded Fund Trust II, Invesco India Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Commodity Fund Trust and Invesco Exchange-Traded Self-Indexed Fund Trust; Vice President, Principal Financial Officer and Assistant Treasurer, The Invesco Funds; Principal Financial and Accounting Officer – Pooled Investments, Invesco Capital Management LLC Formerly: Assistant Treasurer, Invesco Exchange-Traded Fund Trust, Invesco Exchange-Traded Fund Trust II, Invesco India Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Commodity Fund Trust and Invesco Exchange-Traded Self-Indexed Fund Trust; Assistant Treasurer, Invesco Capital Management LLC; Assistant Vice President, The Invesco Funds	N/A	N/A
Tracy Sullivan – 1962 Vice President, Chief Tax Officer and Assistant Treasurer	2008	Vice President, Chief Tax Officer and Assistant Treasurer, The Invesco Funds; Assistant Treasurer, Invesco Capital Management LLC, Invesco Exchange-Traded Fund Trust, Invesco Exchange-Traded Fund Trust II, Invesco India Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Commodity Fund Trust and Invesco Exchange-Traded Self-Indexed Fund Trust Formerly: Assistant Vice President, The Invesco Funds	N/A	N/A
Crissie M. Wisdom – 1969 Anti-Money Laundering Compliance Officer	2013	Anti-Money Laundering Compliance Officer, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser), Invesco Capital Markets, Inc. (formerly known as Van Kampen Funds Inc.), Invesco Distributors, Inc., Invesco Investment Services, Inc., The Invesco Funds, and Invesco Exchange-Traded Fund Trust, Invesco Exchange-Traded Fund Trust II, Invesco India Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Fund Trust, Invesco Actively Managed Exchange-Traded Commodity Fund Trust and Invesco Exchange-Traded Self-Indexed Fund Trust; Anti-Money Laundering Compliance Officer and Bank Secrecy Act Officer, INVESCO National Trust Company and Invesco Trust Company; and Fraud Prevention Manager and Controls and Risk Analysis Manager for Invesco Investment Services, Inc. Formerly: Anti-Money Laundering Compliance Officer, Van Kampen Exchange Corp. and Invesco Management Group, Inc.	N/A	N/A
Robert R. Leveille – 1969 Chief Compliance Officer	2016	Chief Compliance Officer, Invesco Advisers, Inc. (registered investment adviser); and Chief Compliance Officer, The Invesco Funds Formerly: Chief Compliance Officer, Putnam Investments and the Putnam Funds	N/A	N/A

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

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

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1555 Peachtree Street, N.E.
Atlanta, GA 30309

Distributor
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11 Greenway Plaza, Suite 1000
Houston, TX 77046-1173

Auditors
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Houston, TX 77002-5021

Counsel to the Fund
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Philadelphia, PA 19103-7018

Counsel to the Independent Trustees
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Washington, D.C. 20001

Transfer Agent
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Houston, TX 77046-1173

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

OppenheimerFunds®
The Right Way
to Invest

December 31, 2018

Oppenheimer

International Growth Fund/VA

A Series of Oppenheimer Variable Account Funds

Annual Report

ANNUAL REPORT

Listing of Top Holdings

Fund Performance Discussion

Financial Statements

PORTFOLIO MANAGERS: George R. Evans, CFA, and Robert B. Dunphy, CFA

AVERAGE ANNUAL TOTAL RETURNS FOR THE PERIODS ENDED 12/31/18

	Inception Date	1-Year	5-Year	10-Year
Non-Service Shares	5/13/92	-19.42%	-0.90%	8.11%
Service Shares	3/19/01	-19.55	-1.08	7.87
MSCI AC World ex-U.S. Index		-14.20	0.68	6.57

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.*

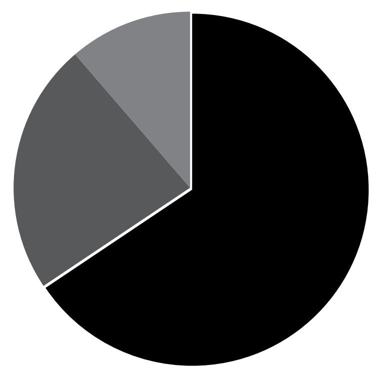
TOP HOLDINGS AND ALLOCATIONS

TOP TEN COMMON STOCK HOLDINGS

SAP SE	2.3%
Infineon Technologies AG	2.3
ICICI Bank Ltd., Sponsored ADR	2.2
Bunzl plc	2.0
Nokia OYJ	1.9
Novo Nordisk AS, Cl. B	1.9
Temenos AG	1.9
Hermes International	1.7
ASML Holding NV	1.7
Keyence Corp.	1.6

Portfolio holdings and allocations are subject to change. Percentages are as of December 31, 2018, and are based on net assets.

REGIONAL ALLOCATION



- Europe—65.6%
- Asia—23.1%
- U.S./Canada—11.3%

Portfolio holdings and allocations are subject to change. Percentages are as of December 31, 2018, and are based on the total market value of investments.

For more current Fund holdings, please visit oppenheimerfunds.com.

Fund Performance Discussion

In a volatile market environment, the Fund's Non-Service shares returned -19.42% over the one-year reporting period ended December 31, 2018. In relative terms, the Fund underperformed the MSCI AC World ex-U.S. Index (the "Index"), which returned -14.20%.

During the reporting period, our portfolio continued to underperform due to positions in the automobile industry, mostly due to tariff concerns, and in the semiconductor sector, due to worries over slower growth. We continue to have frequent discussions with the management of the companies we own in both the automobile and semiconductor value chains. We are also meeting with other companies and analysts to cross-check the information we receive. Our conversations, and the earnings reports and announcements these companies are making, give us confidence that our long-term investment theses are intact, and that their current valuations are compelling. We are invested in automobile component companies that we believe are well-placed to benefit from the car's electronification as it evolves into a computer on wheels. The value of the auto component market is growing rapidly, and at a pace that far outstrips the effect of a potential slowdown in global car sales. We are invested in the semiconductor value chain seeking to benefit from the demand for more chips for more uses as we continue to integrate technology more deeply into our lives.

Outperforming sectors included Financials and Health Care. Stock selection in both sectors contributed positively to performance, along with an underweight position in Financials and an overweight position in Health Care.

MARKET OVERVIEW

During the fourth quarter of 2018, equity markets experienced a significant correction. The year ended with negative returns in all major equity markets. Amidst the negative sentiment, it is worth remembering that investors in equity markets had strong returns in 2017. It was unusual for the upward trend to continue for as long as it did. The catalysts for this correction are concerns over U.S. trade policy, political and macroeconomic uncertainty on several fronts in Europe, and a slowdown in Chinese growth.

TOP INDIVIDUAL CONTRIBUTORS

Top performing stocks for the Fund this period included NEX Group plc, Nokia Oyj, and Edenred SA.

NEX Group plc, a UK company, is a "broker's broker." It is the intermediary between professional participants in many over-the-counter financial markets such as those for foreign exchange, bonds and some derivative instruments. During the year, the Chicago Mercantile Exchange ("CME") bid for NEX and the share price rose to reflect a significant acquisition premium. We exited our position.

Nokia Oyj has successfully transformed itself from a handset manufacturer to one of the few telecom equipment providers left in the world. In our opinion, it is the leader in the integrated software and equipment solutions that 5G networks require. Build-out of 5G networks has begun in earnest this year and Nokia is positioned to be a beneficiary.

Edenred SA is a French company that operates in several countries around the world offering prepaid vouchers for products and services. Their clients are companies who use these to compensate employees or to reward loyal customers, and governments who use them to deliver aid. The increasing digitization of the world is driving both Edenred's top line growth and their operating leverage.

TOP INDIVIDUAL DETRACTORS

Top detractors from Portfolio performance included ams AG, Valeo SA, and Continental AG.

ams AG is an Austrian company that we believe is well-positioned to be one of the winners in the 3D sensor market. Demand for 3D sensors is growing faster than the semiconductor market as a whole. They are increasingly required for facial recognition, factory process automation, and augmented reality applications. After rising to record highs earlier in the year, the stock price has suffered from profit taking and concerns over its position in the Apple supply chain. In our opinion, ams has the wherewithal to diversify away from Apple.

Valeo SA is a French auto component supplier that is on the right side of the trend towards more complex auto components. Demand for Valeo's products, which include driver assist features, electric powertrains, and thermal regulators, is increasing at a multiple of car volumes. In the short term, the tariff talk this reporting period has prompted profit taking in Valeo's shares, which reached record highs earlier in 2018.

Continental AG is the German automobile component supplier better known for its tires. We have owned the company for several years as part of our "Evolution of the Car" theme. Uncertainty over U.S. trade policy in general, and potential automobile tariffs in particular, have negatively affected the share prices of auto suppliers, Continental included. In our opinion, regardless of where they are made, the automobiles of the future will have more and more expensive components than at present, and Continental is well poised to benefit from that trend.

STRATEGY & OUTLOOK

Looking ahead, we see reason for optimism, particularly in international equity markets. The equity risk premium, which has increased on the back of uncertainty, can decline as those uncertainties dissipate. The form of Brexit will become clear. The Italian budget dispute with the European Union (EU) is likely to be resolved. Trade disputes between the U.S. and China may be settled if the U.S. Administration wants to declare a trade war victory before the U.S. presidential campaign season begins. Most importantly, while these political and macroeconomic issues command headlines and effect sentiment, deeper fundamental trends are continuing to restructure the world economy.

The Internet of Things is becoming a reality. Automation of industrial production continues. People are demanding safer and less polluting cars. Newly affluent consumers in emerging markets are buying packaged food, branded drinks, and luxury goods. The companies that we own can monetize these growth streams for a long time to come. The value of a company is the return it provides to its investors on the capital they invest in it. A share price can be driven by sentiment in the short term, but must reflect fundamental earning power in the long term.

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.

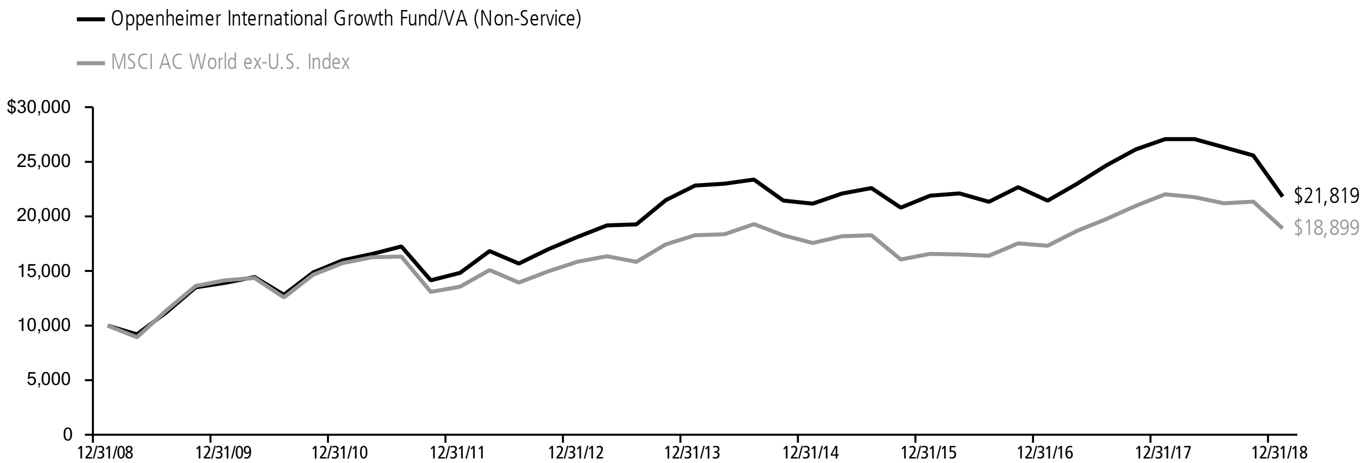
The views in the Fund Performance Discussion represent the opinions of this Fund's portfolio managers and are not intended as investment advice or to predict or depict the performance of any investment. These views are as of the close of business on December 31, 2018, and are subject to change based on subsequent developments. The Fund's portfolio and strategies are subject to change.

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, 2018. 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 MSCI AC World ex-U.S. Index. The MSCI AC World ex-U.S. Index is designed to measure the equity market performance of developed and emerging markets and excludes the U.S. The Index is unmanaged and cannot be purchased directly by investors. While index comparisons may be useful to provide a benchmark for the Fund's performance, it must be noted that the Fund's investments are not limited to the investments comprising the Index. Index performance includes reinvestment of income, but does not reflect transaction costs, fees, expenses or taxes. Index performance is shown for illustrative purposes only as a benchmark for the Fund's performance, and does not predict or depict performance of the Fund. The Fund's performance reflects the effects of the Fund's business and operating expenses.

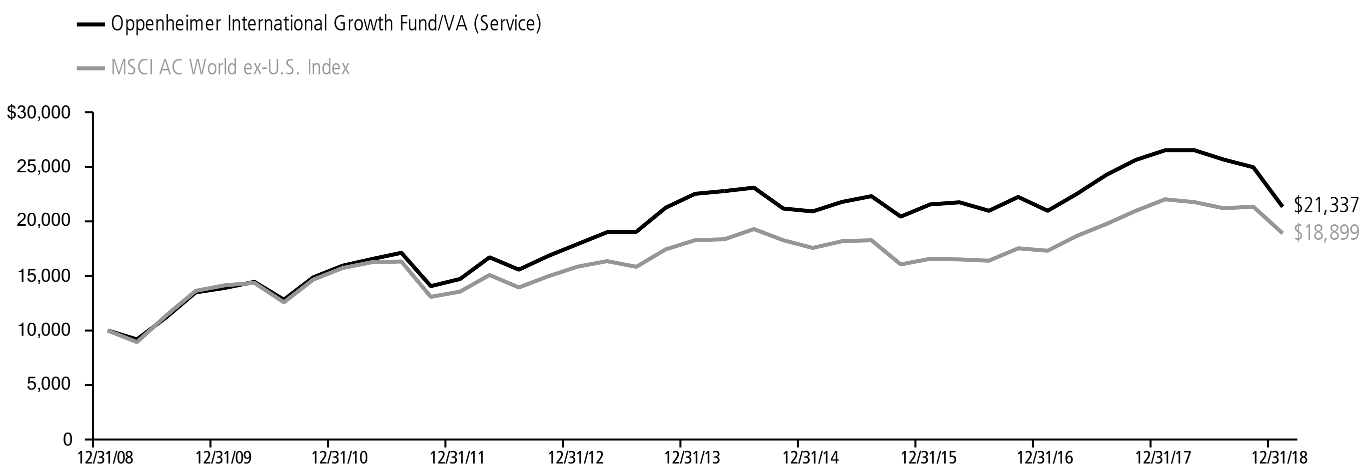
COMPARISON OF CHANGE IN VALUE OF $10,000 HYPOTHETICAL INVESTMENTS IN:



Average Annual Total Returns of Non-Service Shares of the Fund at 12/31/18

1-Year **-19.42%** 5-Year **-0.90%** 10-Year **8.11%**

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



Average Annual Total Returns of Service Shares of the Fund at 12/31/18

1-Year **-19.55%** 5-Year **-1.08%** 10-Year **7.87%**

Performance data quoted represents past performance, which does not guarantee future results. *The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted. For performance data current to the most recent month end, call us at 1.800.988.8287. The Fund's total returns should not be expected to be the same as the returns of other funds, whether or not both funds have the same portfolio managers and/or similar names. The Fund's total returns include changes in share price and reinvested distributions but do not include the charges associated with the separate account products that offer this Fund. Such performance would have been lower if such charges were taken into account.*

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, 2018.

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, 2018" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes.

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

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any charges associated with the separate accounts that offer this Fund. Therefore, the "hypothetical" lines of the table are useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these separate account charges were included your costs would have been higher.

Actual	**Beginning Account Value July 1, 2018**	**Ending Account Value December 31, 2018**	**Expenses Paid During 6 Months Ended December 31, 2018**
Non-Service shares	$ 1,000.00	$ 828.60	$ 4.62
Service shares	1,000.00	831.40	5.79
Hypothetical (5% return before expenses)			
Non-Service shares	1,000.00	1,020.16	5.10
Service shares	1,000.00	1,018.90	6.38

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, 2018 are as follows:

Class	**Expense Ratios**
Non-Service shares	1.00%
Service shares	1.25

The expense ratios reflect voluntary and/or contractual waivers and/or reimbursements of expenses by the Fund's Manager. Some of these undertakings may be modified or terminated at any time, as indicated in the Fund's prospectus. The "Financial Highlights" tables in the Fund's financial statements, included in this report, also show the gross expense ratios, without such waivers or reimbursements and reduction to custodian expenses, if applicable.

STATEMENT OF INVESTMENTS December 31, 2018

	Shares	Value
Common Stocks—95.9%		
Consumer Discretionary—22.6%		
Auto Components—3.5%		
Continental AG	38,170	$ 5,278,084
Koito Manufacturing Co. Ltd.	125,100	6,381,679
Valeo SA	155,643	4,513,154
		16,172,917
Automobiles—3.7%		
Bayerische Motoren Werke AG	61,427	4,974,795
Hero MotoCorp Ltd.	168,227	7,468,882
Subaru Corp.	218,000	4,653,804
		17,097,481
Entertainment—0.1%		
Ubisoft Entertainment SA[1]	6,110	490,175
Hotels, Restaurants & Leisure—3.3%		
Carnival Corp.	132,528	6,533,630
Domino's Pizza Group plc	1,034,444	3,063,514
Whitbread plc	97,976	5,703,392
		15,300,536
Household Durables—1.2%		
SEB SA[2]	3,520	453,003
SEB SA[2]	39,200	5,044,801
		5,497,804
Interactive Media & Services—2.3%		
Baidu, Inc., Sponsored ADR[1]	31,520	4,999,072
Scout24 AG[3]	125,307	5,767,273
		10,766,345
Internet & Catalog Retail—1.4%		
Alibaba Group Holding Ltd., Sponsored ADR[1]	28,236	3,870,308
JD.com, Inc., ADR[1]	135,314	2,832,122
		6,702,430
Media—1.4%		
SES SA, Cl. A, FDR	350,360	6,710,749
Multiline Retail—0.7%		
Dollarama, Inc.	142,711	3,394,247
Specialty Retail—1.1%		
Nitori Holdings Co. Ltd.	40,400	5,018,327
Textiles, Apparel & Luxury Goods—3.9%		
Cie Financiere Richemont SA	60,907	3,914,337
Hermes International	14,256	7,884,233
LVMH Moet Hennessy Louis Vuitton SE	21,370	6,279,485
		18,078,055
Consumer Staples—10.2%		
Beverages—2.3%		
Heineken NV	56,860	5,011,491
Pernod Ricard SA	35,040	5,753,479
		10,764,970
Food & Staples Retailing—2.4%		
Alimentation Couche-Tard, Inc., Cl. B	132,388	6,585,459
CP ALL PCL	2,170,000	4,565,101
		11,150,560
Food Products—3.1%		
Barry Callebaut AG	2,773	4,312,205
Saputo, Inc.	169,552	4,867,230
WH Group Ltd.[3]	7,050,000	5,375,809
		14,555,244
Household Products—1.6%		
Reckitt Benckiser Group plc	98,714	7,538,395
Tobacco—0.8%		
Swedish Match AB	90,576	3,570,941
Energy—0.9%		
Energy Equipment & Services—0.9%		
TechnipFMC plc	215,012	$ 4,334,516
Financials—4.4%		
Commercial Banks—2.2%		
ICICI Bank Ltd., Sponsored ADR	1,001,303	10,303,408
Insurance—2.2%		
Legal & General Group plc	1,524,986	4,474,735
Prudential plc	315,601	5,638,865
		10,113,600
Health Care—14.4%		
Biotechnology—3.1%		
CSL Ltd.	54,312	7,092,936
Grifols SA	287,299	7,504,332
		14,597,268
Health Care Equipment & Supplies—5.4%		
EssilorLuxottica SA	33,433	4,221,659
Hoya Corp.	107,193	6,551,881
Medtronic plc	10,400	945,984
ResMed, Inc.	8,620	981,560
Siemens Healthineers AG[1,3]	143,270	5,998,650
Sonova Holding AG	21,792	3,553,216
William Demant Holding AS[1]	110,528	3,133,250
		25,386,200
Health Care Providers & Services—0.2%		
Fresenius Medical Care AG & Co. KGaA	14,208	922,896
Life Sciences Tools & Services—1.6%		
Lonza Group AG[1]	28,012	7,282,474
Pharmaceuticals—4.1%		
Bayer AG	62,453	4,330,564
Novo Nordisk AS, Cl. B	190,863	8,773,535
Roche Holding AG	24,031	5,942,248
		19,046,347
Industrials—17.2%		
Aerospace & Defense—1.3%		
Airbus SE	61,980	5,927,826
Commercial Services & Supplies—2.9%		
Edenred	186,094	6,821,682
Prosegur Cash SA[3]	1,212,557	2,671,381
Prosegur Cia de Seguridad SA	816,094	4,135,221
		13,628,284
Construction & Engineering—1.3%		
Boskalis Westminster	240,169	5,944,943
Electrical Equipment—3.0%		
Legrand SA	92,390	5,200,041
Melrose Industries plc	1,519,210	3,145,898
Nidec Corp.	50,200	5,753,158
		14,099,097
Machinery—5.3%		
Aalberts Industries NV	110,168	3,647,501
Atlas Copco AB, Cl. A	205,152	4,901,198
Epiroc AB, Cl. A[1]	362,445	3,442,119
Kubota Corp.	391,900	5,518,275
VAT Group AG[1,3]	53,256	4,689,605
Weir Group plc (The)	169,676	2,789,776
		24,988,474
Professional Services—0.7%		
Intertek Group plc	56,970	3,468,332
Trading Companies & Distributors—2.7%		
Bunzl plc	299,989	9,026,301
Ferguson plc	52,576	3,367,279
		12,393,580

	Shares	Value
Information Technology—20.9%		
Communications Equipment—1.9%		
Nokia OYJ	1,570,863	$ 9,076,306
Electronic Equipment, Instruments, & Components—3.0%		
Hitachi Ltd.	238,600	6,342,418
Keyence Corp.	15,112	7,616,155
		13,958,573
Internet Software & Services—1.0%		
United Internet AG	105,636	4,621,067
IT Services—2.8%		
Amadeus IT Group SA	73,054	5,086,687
Atos SE	55,050	4,479,083
EPAM Systems, Inc.[1]	29,380	3,408,374
		12,974,144
Semiconductors & Semiconductor Equipment—6.0%		
ams AG	116,157	2,800,925
ASML Holding NV	50,432	7,868,752
Infineon Technologies AG	550,201	10,948,293
STMicroelectronics NV	467,530	6,671,934
		28,289,904
Software—6.2%		
Atlassian Corp. plc, Cl. A[1]	11,060	984,119
Dassault Systemes SE	31,967	3,774,245
SAP SE	109,982	10,955,275
Temenos AG[1]	71,922	8,667,468
Software (Continued)		
Xero Ltd.[1]	150,707	$ 4,441,067
		28,822,174
Materials—3.7%		
Chemicals—2.1%		
Novozymes AS, Cl. B	88,472	3,954,571
Sika AG	45,965	5,841,848
		9,796,419
Construction Materials—0.5%		
James Hardie Industries plc	217,747	2,318,826
Containers & Packaging—1.1%		
CCL Industries, Inc., Cl. B	145,568	5,337,777
Telecommunication Services—1.6%		
Diversified Telecommunication Services—1.6%		
Nippon Telegraph & Telephone Corp.	180,600	7,353,319
Total Common Stocks (Cost $357,909,309)		447,794,930
Preferred Stock—0.0%		
Zee Entertainment Enterprises Ltd., 6% Cum. Non-Cv. (Cost $—)	599,541	65,609
Investment Company—3.8%		
Oppenheimer Institutional Government Money Market Fund, Cl. E, 2.35%[4,5] (Cost $17,692,763)	17,692,763	17,692,763
Total Investments, at Value (Cost $375,602,072)	99.7%	465,553,302
Net Other Assets (Liabilities)	0.3	1,302,597
Net Assets	**100.0%**	**$ 466,855,899**

Footnotes to Statement of Investments

1. Non-income producing security.
2. The Fund holds securities which have been issued by the same entity and that trade on separate exchanges.
3. 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 $24,502,718 or 5.25% of the Fund's net assets at period end.
4. Rate shown is the 7-day yield at period end.
5. 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, 2017	Gross Additions	Gross Reductions	Shares December 31, 2018
Investment Company				
Oppenheimer Institutional Government Money Market Fund, Cl. E	1,843,768	144,286,201	128,437,206	17,692,763

	Value	Income	Realized Gain (Loss)	Change in Unrealized Gain (Loss)
Investment Company				
Oppenheimer Institutional Government Money Market Fund, Cl. E	$ 17,692,763	$ 318,389	$ —	$ —

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

Geographic Holdings (Unaudited)	Value	Percent
France	$ 60,842,867	13.1%
Japan	55,189,015	11.9
Germany	53,796,897	11.6
Switzerland	50,875,335	10.9
United Kingdom	49,183,722	10.6
United States	32,929,589	7.0
Netherlands	22,472,686	4.8
Canada	20,184,715	4.3
Spain	19,397,623	4.2
India	17,837,899	3.8
Denmark	15,861,356	3.4
Sweden	11,914,258	2.6
China	11,701,503	2.5
Finland	9,076,306	1.9
Australia	8,077,055	1.7
Luxembourg	6,710,749	1.4
Hong Kong	5,375,808	1.2

Geographic Holdings (Unaudited) (Continued)	Value	Percent
Thailand	$ 4,565,101	1.0%
New Zealand	4,441,067	1.0
Austria	2,800,925	0.6
Ireland	2,318,826	0.5
Total	**$ 465,553,302**	**100.0%**

See accompanying Notes to Financial Statements.

STATEMENT OF ASSETS AND LIABILITIES December 31, 2018

Assets		
Investments, at value—see accompanying statement of investments:		
Unaffiliated companies (cost $357,909,309)	$	447,860,539
Affiliated companies (cost $17,692,763)		17,692,763
		465,553,302
Cash		502,487
Cash—foreign currencies (cost $21)		21
Receivables and other assets:		
Shares of beneficial interest sold		1,935,389
Dividends		1,783,162
Investments sold		45,519
Other		48,021
Total assets		469,867,901
Liabilities		
Payables and other liabilities:		
Investments purchased		2,508,277
Foreign capital gains tax		244,782
Shares of beneficial interest redeemed		108,338
Distribution and service plan fees		42,594
Trustees' compensation		37,303
Shareholder communications		8,898
Other		61,810
Total liabilities		3,012,002
Net Assets	**$**	**466,855,899**

Composition of Net Assets		
Par value of shares of beneficial interest	$	225,607
Additional paid-in capital		356,564,376
Total distributable earnings		110,065,916
Net Assets	**$**	**466,855,899**

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 $267,220,333 and 131,439,239 shares of beneficial interest outstanding)	$2.03
Service Shares:	
Net asset value, redemption price per share and offering price per share (based on net assets of $199,635,566 and 94,167,704 shares of beneficial interest outstanding)	$2.12

See accompanying Notes to Financial Statements.

STATEMENT OF OPERATIONS For the Year Ended December 31, 2018

Investment Income	
Dividends:	
Unaffiliated companies (net of foreign withholding taxes of $983,683)	$ 9,875,501
Affiliated companies	318,389
Total investment income	10,193,890
Expenses	
Management fees	5,229,829
Distribution and service plan fees - Service shares	578,191
Transfer and shareholder servicing agent fees:	
Non-Service shares	390,537
Service shares	277,532
Shareholder communications:	
Non-Service shares	23,918
Service shares	17,357
Custodian fees and expenses	59,508
Trustees' compensation	20,595
Borrowing fees	17,754
Other	70,332
Total expenses	6,685,553
Less reduction to custodian expenses	(259)
Less waivers and reimbursements of expenses	(520,056)
Net expenses	6,165,238
Net Investment Income	4,028,652
Realized and Unrealized Gain (Loss)	
Net realized gain (loss) on:	
Investment transactions in unaffiliated companies (net of foreign capital gains tax of $153,215)	25,037,688
Foreign currency transactions	(11,396)
Net realized gain	25,026,292
Net change in unrealized appreciation/(depreciation) on:	
Investment transactions in unaffiliated companies	(139,715,193)
Translation of assets and liabilities denominated in foreign currencies	(48,724)
Net change in unrealized appreciation/(depreciation)	(139,763,917)
Net Decrease in Net Assets Resulting from Operations	**$ (110,708,973)**

See accompanying Notes to Financial Statements.

STATEMENTS OF CHANGES IN NET ASSETS

	Year Ended December 31, 2018	Year Ended December 31, 2017[1]
Operations		
Net investment income	$ 4,028,652	$ 4,255,911
Net realized gain	25,026,292	14,279,372
Net change in unrealized appreciation/(depreciation)	(139,763,917)	108,297,137
Net increase (decrease) in net assets resulting from operations	(110,708,973)	126,832,420
Dividends and/or Distributions to Shareholders		
Dividends and distributions declared:		
Non-Service shares	(9,134,490)	(4,868,321)
Service shares	(5,690,284)	(2,425,707)
Total dividends and distributions declared	(14,824,774)	(7,294,028)
Beneficial Interest Transactions		
Net increase (decrease) in net assets resulting from beneficial interest transactions:		
Non-Service shares	(20,815,884)	(14,779,318)
Service shares	13,746,754	17,507,241
Total beneficial interest transactions	(7,069,130)	2,727,923
Net Assets		
Total increase (decrease)	(132,602,877)	122,266,315
Beginning of period	599,458,776	477,192,461
End of period	**$ 466,855,899**	**$ 599,458,776**

1. Prior period amounts have been conformed to current year presentation. See Notes to Financial Statements, Note 2– New Accounting Pronouncements for further details.

See accompanying Notes to Financial Statements.

Non-Service Shares	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Per Share Operating Data					
Net asset value, beginning of period	$2.59	$2.08	$2.20	$2.31	$2.57
Income (loss) from investment operations:					
Net investment income[1]	0.02	0.02	0.03	0.03	0.03
Net realized and unrealized gain (loss)	(0.51)	0.52	(0.08)	0.06	(0.21)
Total from investment operations	(0.49)	0.54	(0.05)	0.09	(0.18)
Dividends and/or distributions to shareholders:					
Dividends from net investment income	(0.02)	(0.03)	(0.02)	(0.03)	(0.03)
Distributions from net realized gain	(0.05)	0.00	(0.05)	(0.17)	(0.05)
Total dividends and/or distributions to shareholders	(0.07)	(0.03)	(0.07)	(0.20)	(0.08)
Net asset value, end of period	**$2.03**	**$2.59**	**$2.08**	**$2.20**	**$2.31**
Total Return, at Net Asset Value[2]	(19.42)%	26.29%	(2.12)%	3.43%	(7.22)%
Ratios/Supplemental Data					
Net assets, end of period (in thousands)	$267,220	$360,417	$301,559	$317,547	$358,756
Average net assets (in thousands)	$325,080	$339,999	$305,269	$343,347	$400,556
Ratios to average net assets:[3]					
Net investment income	0.83%	0.87%	1.24%	1.08%	1.13%
Expenses excluding specific expenses listed below	1.10%	1.08%	1.09%	1.08%	1.07%
Interest and fees from borrowings	0.00%[4]	0.00%[4]	0.00%[4]	0.00%[4]	0.00%
Total expenses[5]	1.10%	1.08%	1.09%	1.08%	1.07%
Expenses after payments, waivers and/or reimbursements and reduction to custodian expenses	1.00%	1.00%	1.00%	1.00%	1.00%
Portfolio turnover rate	25%	27%	15%	24%	41%

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. Less than 0.005%.
5. Total expenses including indirect expenses from affiliated fund fees and expenses were as follows:

Year Ended December 31, 2018	1.10%
Year Ended December 31, 2017	1.08%
Year Ended December 31, 2016	1.09%
Year Ended December 31, 2015	1.08%
Year Ended December 31, 2014	1.07%

See accompanying Notes to Financial Statements.

Service Shares	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Per Share Operating Data					
Net asset value, beginning of period	$2.70	$2.16	$2.29	$2.40	$2.66
Income (loss) from investment operations:					
Net investment income[1]	0.01	0.01	0.02	0.02	0.02
Net realized and unrealized gain (loss)	(0.52)	0.56	(0.08)	0.06	(0.21)
Total from investment operations	(0.51)	0.57	(0.06)	0.08	(0.19)
Dividends and/or distributions to shareholders:					
Dividends from net investment income	(0.02)	(0.03)	(0.02)	(0.02)	(0.02)
Distributions from net realized gain	(0.05)	0.00	(0.05)	(0.17)	(0.05)
Total dividends and/or distributions to shareholders	(0.07)	(0.03)	(0.07)	(0.19)	(0.07)
Net asset value, end of period	**$2.12**	**$2.70**	**$2.16**	**$2.29**	**$2.40**
Total Return, at Net Asset Value[2]	(19.55)%	26.44%	(2.72)%	3.11%	(7.15)%
Ratios/Supplemental Data					
Net assets, end of period (in thousands)	$199,636	$239,042	$175,633	$169,292	$145,515
Average net assets (in thousands)	$231,130	$213,440	$174,834	$165,226	$128,694
Ratios to average net assets:[3]					
Net investment income	0.58%	0.60%	0.99%	0.79%	0.85%
Expenses excluding specific expenses listed below	1.35%	1.33%	1.34%	1.33%	1.32%
Interest and fees from borrowings	0.00%[4]	0.00%[4]	0.00%[4]	0.00%[4]	0.00%
Total expenses[5]	1.35%	1.33%	1.34%	1.33%	1.32%
Expenses after payments, waivers and/or reimbursements and reduction to custodian expenses	1.25%	1.25%	1.25%	1.25%	1.25%
Portfolio turnover rate	25%	27%	15%	24%	41%

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. Less than 0.005%.
5. Total expenses including indirect expenses from affiliated fund fees and expenses were as follows:

Year Ended December 31, 2018	1.35%
Year Ended December 31, 2017	1.33%
Year Ended December 31, 2016	1.34%
Year Ended December 31, 2015	1.33%
Year Ended December 31, 2014	1.32%

See accompanying Notes to Financial Statements.

1. Organization

Oppenheimer International Growth Fund/VA (the "Fund"), is a separate series of Oppenheimer Variable Account Funds, which is registered under the Investment Company Act of 1940 ("1940 Act"), as amended, as a diversified open-end management investment company. The Fund's investment objective is to seek capital appreciation. The Fund's investment adviser is OFI Global Asset Management, Inc. ("OFI Global" or the "Manager"), a wholly-owned subsidiary of OppenheimerFunds, Inc. ("OFI" or the "Sub-Adviser"). The Manager has entered into a sub-advisory agreement with OFI. Shares of the Fund are sold only to separate accounts of life insurance companies.

The Fund offers two classes of shares. Both classes are sold at their offering price, which is the net asset value per share, to separate investment accounts of participating insurance companies as an underlying investment for variable life insurance policies, variable annuity contracts or other investment products. The class of shares designated as Service shares is subject to a distribution and service plan. Both classes of shares have identical rights and voting privileges with respect to the Fund in general and exclusive voting rights on matters that affect that class alone. Earnings, net assets and net asset value per share may differ due to each class having its own expenses, such as transfer and shareholder servicing agent fees and shareholder communications, directly attributable to that class.

The following is a summary of significant accounting policies followed in the Fund's preparation of financial statements in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

2. Significant Accounting Policies

Security Valuation. All investments in securities are recorded at their estimated fair value, as described in Note 3.

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 Statement of Operations.

For securities, which are subject to foreign withholding tax upon disposition, realized and unrealized 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 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 Statement of Operations, are amortized or accreted daily.

Custodian Fees. "Custodian fees and expenses" in the Statement of Operations may include interest expense incurred by the Fund on any cash overdrafts of its custodian account during the period. Such cash overdrafts may result from the effects of failed trades in portfolio securities and from cash outflows resulting from unanticipated shareholder redemption activity. The Fund pays interest to its custodian on such cash overdrafts, to the extent they are not offset by positive cash balances maintained by the Fund, at a rate equal to the Federal Funds Rate plus 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

2. Significant Accounting Policies (Continued)

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, 2018, including open tax years, and does not believe there are any uncertain tax positions requiring recognition in the Fund's financial statements.

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]	Net Unrealized Appreciation Based on cost of Securities and Other Investments for Federal Income Tax Purposes
$3,849,308	$22,072,630	$—	$84,181,282

1. During the reporting period, the Fund did not utilize any capital loss carryforward.
2. During the previous reporting period, the Fund utilized $417,148 of capital loss carryforward to offset capital gains realized in that fiscal year.

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	Reduction to Accumulated Net Earnings[3]
$2,199,217	$2,199,217

3. $2,198,404, all of which was long-term capital gain, was distributed in connection with Fund share redemptions.

The tax character of distributions paid during the reporting periods:

	Year Ended December 31, 2018	Year Ended December 31, 2017
Distributions paid from:		
Ordinary income	$ 4,584,335	$ 7,294,028
Long-term capital gain	10,240,439	—
Total	**$ 14,824,774**	**$ 7,294,028**

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	$ 381,104,843
Federal tax cost of other investments	(277)
Total federal tax cost	**$ 381,104,566**
Gross unrealized appreciation	$ 141,615,225
Gross unrealized depreciation	(57,433,943)
Net unrealized appreciation	**$ 84,181,282**

Certain foreign countries impose a tax on capital gains which is accrued by the Fund based on unrealized appreciation, if any, on affected securities. The tax is paid when the gain is realized.

2. Significant Accounting Policies (Continued)

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.

New Accounting Pronouncements. In March 2017, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU"), ASU 2017-08. This provides guidance related to the amortization period for certain purchased callable debt securities held at a premium. The ASU is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods. The Manager has evaluated the impacts of these changes on the financial statements and there are no material impacts.

During August 2018, the Securities and Exchange Commission (the "SEC") issued Final Rule Release No. 33-10532 (the "Rule"), Disclosure Update and Simplification. The rule amends certain financial statement disclosure requirements to conform to U.S. GAAP. The amendments to Rule 6-04.17 of Regulation S-X (balance sheet) remove the requirement to separately state the book basis components of net assets: undistributed (over-distribution of) net investment income ("UNII"), accumulated undistributed net realized gains (losses), and net unrealized appreciation (depreciation) at the balance sheet date. Instead, consistent with U.S. GAAP, funds will be required to disclose total distributable earnings. The amendments to Rule 6-09 of Regulation S-X (statement of changes in net assets) remove the requirement to separately state the sources of distributions paid. Instead, consistent with U.S. GAAP, funds will be required to disclose the total amount of distributions paid, except that any tax return of capital must be separately disclosed. The amendments also remove the requirement to parenthetically state the book basis amount of UNII on the statement of changes in net assets. The requirements of the Rule are effective November 5, 2018, and the Funds' Statement of Assets and Liabilities and Statement of Changes in Net Assets for the current reporting period have been modified accordingly. In addition, certain amounts within each Fund's Statement of Changes in Net Assets for the prior fiscal period have been modified to conform to the Rule.

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" or "NYSE") 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.

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.

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)

3. Securities Valuation (Continued)

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 Statement of Assets and Liabilities at period end based on valuation input level:

	Level 1—Unadjusted Quoted Prices	Level 2—Other Significant Observable Inputs	Level 3—Significant Unobservable Inputs	Value
Assets Table				
Investments, at Value:				
Common Stocks				
Consumer Discretionary	$ 21,629,379	$ 83,599,687	$ —	$ 105,229,066
Consumer Staples	11,452,689	36,127,421	—	47,580,110
Energy	—	4,334,516	—	4,334,516
Financials	10,303,408	10,113,600	—	20,417,008
Health Care	1,927,544	65,307,641	—	67,235,185
Industrials	—	80,450,536	—	80,450,536
Information Technology	4,392,493	93,349,675	—	97,742,168
Materials	5,337,777	12,115,245	—	17,453,022
Telecommunication Services	—	7,353,319	—	7,353,319
Preferred Stock	65,609	—	—	65,609
Investment Company	17,692,763	—	—	17,692,763
Total Assets	**$ 72,801,662**	**$ 392,751,640**	**$ —**	**$ 465,553,302**

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.

For the reporting period, there were no transfers between levels.

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 management investment companies registered under the 1940 Act, as amended. The Manager is the investment adviser of, and the Sub-Adviser provides investment and related advisory services to, the Affiliated Funds. When applicable, the Fund's investments in Affiliated Funds are included in the Statement of Investments. Shares of Affiliated Funds are valued at their net asset value per share. As a shareholder, the Fund is subject to its proportional share of the Affiliated Funds' expenses, including their management fee. The Manager will waive fees and/or reimburse Fund expenses in an amount equal to the indirect management fees incurred through the Fund's investment in the Affiliated Funds.

Each of the Affiliated Funds in which the Fund invests has its own investment risks, and those risks can affect the value of the Fund's investments and therefore the value of the Fund's shares. To the extent that the Fund invests more of its assets in one Affiliated Fund than in another, the Fund will have greater exposure to the risks of that Affiliated Fund.

Investments in Money Market Instruments. The Fund is permitted to invest its free cash balances in money market instruments to provide liquidity

4. Investments and Risks (Continued)
or for defensive purposes. The Fund may invest in money market instruments by investing in Class E shares of Oppenheimer Institutional Government 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.

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.

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

The shareholder is a related party of the Fund. 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. The related party owned 38% 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, while small increases or decreases in its price typically indicate lower volatility risk.

6. Shares of Beneficial Interest
The Fund has authorized an unlimited number of $0.001 par value shares of beneficial interest of each class. Transactions in shares of beneficial interest were as follows:

	Year Ended December 31, 2018			Year Ended December 31, 2017		
	Shares		Amount	Shares		Amount
Non-Service Shares						
Sold	21,532,426	$	51,243,851	22,026,198	$	51,090,812
Dividends and/or distributions reinvested	3,639,212		9,134,490	2,045,409		4,868,321
Redeemed	(32,856,876)		(81,194,225)	(30,252,278)		(70,738,451)
Net decrease	**(7,685,238)**	**$**	**(20,815,884)**	**(6,180,671)**	**$**	**(14,779,318)**
Service Shares						
Sold	19,920,360	$	51,115,122	23,171,844	$	56,773,388
Dividends and/or distributions reinvested	2,171,864		5,690,284	978,108		2,425,707
Redeemed	(16,510,354)		(43,058,652)	(16,813,549)		(41,691,854)
Net increase	**5,581,870**	**$**	**13,746,754**	**7,336,403**	**$**	**17,507,241**

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

7. Purchases and Sales of Securities (Continued)

	Purchases	Sales
Investment securities	$136,268,957	$162,936,301

8. Fees and Other Transactions with Affiliates

Management Fees. Under the investment advisory agreement, the Fund pays the Manager a management fee based on the daily net assets of the Fund at an annual rate as shown in the following table:

Fee Schedule	
Up to $250 million	1.00%
Next $250 million	0.90
Next $500 million	0.85
Over $1 billion	0.82

The Fund's effective management fee for the reporting period was 0.94% of average annual net assets before any applicable waivers.

Sub-Adviser Fees. The Manager has retained the Sub-Adviser to provide the day-to-day portfolio management of the Fund. Under the Sub-Advisory Agreement, the Manager pays the Sub-Adviser an annual fee in monthly installments, equal to a percentage of the investment management fee collected by the Manager from the Fund, which shall be calculated after any investment management fee waivers. The fee paid to the Sub-Adviser is paid by the Manager, not by the Fund.

Transfer Agent Fees. OFI Global (the "Transfer Agent") serves as the transfer and shareholder servicing agent for the Fund. The Fund pays the Transfer Agent a fee based on annual net assets. Fees incurred and average net assets for each class with respect to these services are detailed in the Statement of Operations and Financial Highlights, respectively.

Sub-Transfer Agent Fees. The Transfer Agent has retained Shareholder Services, Inc., a wholly-owned subsidiary of OFI (the "Sub-Transfer Agent"), to provide the day-to-day transfer agent and shareholder servicing of the Fund. Under the Sub-Transfer Agency Agreement, the Transfer Agent pays the Sub-Transfer Agent an annual fee in monthly installments, equal to a percentage of the transfer agent fee collected by the Transfer Agent from the Fund, which shall be calculated after any applicable fee waivers. The fee paid to the Sub-Transfer Agent is paid by the Transfer Agent, not by the Fund.

Trustees' Compensation. The Fund's Board of Trustees ("Board") has adopted a compensation deferral plan for Independent Trustees that enables Trustees to elect to defer receipt of all or a portion of the annual compensation they are entitled to receive from the Fund. For purposes of determining the amount owed to the Trustees under the plan, deferred amounts are treated as though equal dollar amounts had been invested in shares of the Fund or in other Oppenheimer funds selected by the Trustees. The Fund purchases shares of the funds selected for deferral by the Trustees in amounts equal to his or her deemed investment, resulting in a Fund asset equal to the deferred compensation liability. Such assets are included as a component of "Other" within the asset section of the Statement of Assets and Liabilities. Deferral of Trustees' fees under the plan will not affect the net assets of the Fund and will not materially affect the Fund's assets, liabilities or net investment income per share. Amounts will be deferred until distributed in accordance with the compensation deferral plan.

Distribution and Service Plan for Service Shares. The Fund has adopted a Distribution and Service Plan (the "Plan") pursuant to Rule 12b-1 under the 1940 Act for Service shares to pay OppenheimerFunds Distributor, Inc. (the "Distributor"), for distribution related services, personal service and account maintenance for the Fund's Service shares. Under the Plan, payments are made periodically at an annual rate of 0.25% of the daily net assets of Service shares of the Fund. The Distributor currently uses all of those fees to compensate sponsors of the insurance product that offers Fund shares, for providing personal service and maintenance of accounts of their variable contract owners that hold Service shares. These fees are paid out of the Fund's assets on an on-going basis and increase operating expenses of the Service shares, which results in lower performance compared to the Fund's shares that are not subject to a service fee. Fees incurred by the Fund under the Plan are detailed in the Statement of Operations.

Waivers and Reimbursements of Expenses. The Manager has contractually agreed to limit the Fund's expenses after payments, waivers and/or reimbursements and reduction to custodian expenses, excluding 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; so that those expenses, as percentages of daily net assets, will not exceed the annual rate of 1.00% for Non-Service shares and 1.25% for Service shares.

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

Non-Service Shares	$293,471
Service Shares	210,344

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 investment in IGMMF. During the reporting period, the Manager waived fees and/or reimbursed the Fund $16,241 for IGMMF management fees.

9. Borrowings and Other Financing

Joint Credit Facility. A number of mutual funds managed by the Manager participate in a $1.95 billion revolving credit facility (the "Facility") intended to provide short-term financing, if necessary, subject to certain restrictions in connection with atypical redemption activity. Expenses and fees related to the Facility are paid by the participating funds and are disclosed separately or as other expenses on the Statement of Operations. The Fund did not utilize the Facility during the reporting period.

10. Pending Acquisition

On October 18, 2018, Massachusetts Mutual Life Insurance Company, an indirect corporate parent of the Sub-Adviser and the Manager, announced that it has entered into an agreement whereby Invesco Ltd. ("Invesco"), a global investment management company, will acquire the Sub-Adviser (the "Transaction"). In connection with the Transaction, on January 11, 2019, the Fund's Board unanimously approved an Agreement and Plan of Reorganization (the "Agreement"), which provides for the transfer of the assets and liabilities of the Fund to a corresponding, newly formed fund (the "Acquiring Fund") in the Invesco family of funds (the "Reorganization") in exchange for shares of the corresponding Acquiring Fund of equal value to the value of the shares of the Fund as of the close of business on the closing date. Although the Acquiring Fund will be managed by Invesco Advisers, Inc., the Acquiring Fund will, as of the closing date, have the same investment objective and substantially similar principal investment strategies and risks as the Fund. After the Reorganization, Invesco Advisers, Inc. will be the investment adviser to the Acquiring Fund, and the Fund will be liquidated and dissolved under applicable law and terminate its registration under the Investment Company Act of 1940, as amended. The Reorganization is expected to be a tax-free reorganization for U.S. federal income tax purposes.

The Reorganization is subject to the approval of shareholders of the Fund. Shareholders of record of the Fund on January 14, 2019 will be entitled to vote on the Reorganization and will receive a combined prospectus and proxy statement describing the Reorganization, the shareholder meeting, and a discussion of the factors the Fund's Board considered in approving the Agreement. The combined prospectus and proxy statement is expected to be distributed to shareholders of record on or about February 28, 2019. The anticipated date of the shareholder meeting is on or about April 12, 2019.

If shareholders approve the Agreement and certain other closing conditions are satisfied or waived, the Reorganization is expected to close during the second quarter of 2019, or as soon as practicable thereafter. This is subject to change.

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 statement of assets and liabilities of Oppenheimer International Growth Fund/VA, a separate series of Oppenheimer Variable Account Funds, (the "Fund"), including the statement of investments, as of December 31, 2018, the related statement of operations for the year then ended, the statements of changes in net assets for each of the years in the two year period then ended, and the related notes (collectively, the "financial statements") and the financial highlights for each of the years in the five year period then ended. 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, 2018, the results of its operations for the year then ended, the changes in its net assets for each of the years in the two year period then ended, and the 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 financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. We 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. 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. Such procedures also included confirmation of securities owned as of December 31, 2018, 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 financial statements and 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 14, 2019

FEDERAL INCOME TAX INFORMATION Unaudited

In early 2019, if applicable, shareholders of record received information regarding all dividends and distributions paid to them by the Fund during calendar year 2018.

Capital gain distributions of $0.04704 per share were paid to Non-Service and Service shareholders, respectively, on June 19, 2018. Whether received in stock or in cash, the capital gain distribution should be treated by shareholders as a gain from the sale of the capital assets held for more than one year (long-term capital gains).

None of the dividends paid by the Fund during the reporting period are eligible for the corporate dividend-received deduction.

Dividends, if any, paid by the Fund during the reporting period which are not designated as capital gain distributions, may be eligible for lower individual income tax rates to the extent that the Fund has received qualified dividend income as stipulated by recent tax legislation. In early 2019, shareholders of record received information regarding the percentage of distributions that are eligible for lower individual income tax rates. The amount will be the maximum amount allowed.

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 Sub-Adviser's portfolio managers and 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 George R. Evans and Robert B. Dunphy 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 foreign large growth funds underlying variable insurance products. The Board noted that the Fund outperformed its category median during the five- and ten-year periods, while it underperformed is category median during the one- and three-year periods. The Board further noted that the Fund's recent underperformance occurred in 2014 and 2017 and observed that the Fund has ranked in the top 25% of its category in six of the last nine calendar years.

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 foreign large growth funds 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). The Board considered that the Fund's total expenses and contractual management fee were higher than their respective peer group medians and its category medians. The Board noted that the Adviser has contractually agreed to waive fees and/or reimburse certain expenses so that the Fund's total annual operating expenses, as percentages of daily net assets, will not exceed the annual rate of 1.00% for Non-Service Shares and 1.25% for Service Shares. This fee waiver and/or expense reimbursement may not be amended or withdrawn until one year from the date of the Fund's prospectus, unless approved by the Board. The Board further noted that the Adviser has agreed to waive fees and/or reimburse Fund expenses in an amount equal to the management fees incurred indirectly through the Fund's investments in funds managed by the Adviser or its affiliates.

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 and research provided to the Adviser in connection with permissible brokerage arrangements (soft dollar arrangements).

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, 2019. 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.

Name, Position(s) Held with the Fund, Length of Service, Year of Birth	Principal Occupation(s) During the Past 5 Years; Other Trusteeships/Directorships Held; Number of Portfolios in the Fund Complex Currently Overseen
INDEPENDENT TRUSTEES	*The address of each Director in the chart below is 6803 S. Tucson Way, Centennial, Colorado 80112-3924. Each Director serves for an indefinite term, or until his or her resignation, retirement, death or removal. Each of the Trustees in the chart below oversees 58 portfolios in the OppenheimerFunds complex.*
Robert J. Malone, Chairman of the Board of Trustees (since 2016), Trustee (since 2002) Year of Birth: 1944	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	Director, Mutual Fund Directors Forum (since February 2018); 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). 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 Board's 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). 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 Board's 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 of the Board (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). 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 Board's deliberations.
Victoria J. Herget, Trustee (since 2012) Year of Birth:1951	Board Chair (2008-2015) and Director (2004-Present) of United Educators (insurance company); Trustee (since 2000) and Chair (2010-2017) of 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). 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 Board's 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; member, Women's Investment Management Forum (professional organization) (since inception) and Trustee of Jennies School for Little Children (non-profit) (2011-2014). 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 Board's deliberations.

James D. Vaughn, Trustee (since 2012) Year of Birth:1945	Retired; former managing partner (1994-2001) of Denver office of Deloitte & Touche LLP, (held various positions in Denver and New York offices from 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. 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 Board's 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. Mr. Steinmetz is an officer of 104 portfolios in the OppenheimerFunds complex.*
Arthur P. Steinmetz, Trustee (since 2015), President and Principal Executive Officer (since 2014) Year of Birth: 1958	Chairman of OppenheimerFunds, Inc. (since January 2015); CEO and Chairman of OFI Global Asset Management, Inc. (since July 2014), President of OFI Global Asset Management, Inc. (since May 2013), a Director of OFI Global Asset Management, Inc. (since January 2013), Director of OppenheimerFunds, Inc. (since July 2014), President, Management Director and CEO of Oppenheimer Acquisition Corp. (OppenheimerFunds, Inc.'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 (January 2013-December 2013); Executive Vice President of OFI Global Asset Management, Inc. (January 2013-May 2013); Chief Investment Officer of OppenheimerFunds, Inc. (October 2010-December 2012); Chief Investment Officer, Fixed-Income, of OppenheimerFunds, Inc. (April 2009-October 2010); Executive Vice President of OppenheimerFunds, Inc. (October 2009-December 2012); Director of Fixed Income of OppenheimerFunds, Inc. (January 2009-April 2009); and a Senior Vice President of OppenheimerFunds, Inc. (March 1993-September 2009).
OTHER OFFICERS OF THE FUND	*The addresses of the Officers in the chart below are as follows: for Messrs. Evans, Dunphy, Mss. 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.*
George R. Evans, Vice President (since 1999) Year of Birth: 1959	CIO Equities of the Sub-Adviser (since January 2013); Senior Vice President of the Sub-Adviser (since July 2004). Director of International Equities of the Sub-Adviser (since July 2004); Director of Equities of the Sub-Adviser (October 2010-December 2012); Vice President of HarbourView Asset Management Corporation (July 1994-November 2001) and Vice President of the Sub-Adviser (October 1993-July 2004). A portfolio manager and officer of other portfolios in the OppenheimerFunds complex.
Robert B. Dunphy, Vice President (since 2012) Year of Birth: 1979	Vice President of the Sub-Adviser (since January 2011); Senior Portfolio Manager (since May 2011); Senior Research Analyst and Assistant Vice President of the Sub-Adviser (May 2009-January 2011), and an Intermediate Research Analyst of the Sub-Adviser (January 2006-May 2009). A portfolio manager of other portfolios in the OppenheimerFunds complex.
Cynthia Lo Bessette, Secretary and Chief Legal Officer (since 2016) Year of Birth: 1969	Executive Vice President, General Counsel and Secretary of OFI Global Asset Management, Inc. (since February 2016); Senior Vice President and Deputy General Counsel of OFI Global Asset Management, Inc. (March 2015-February 2016); Chief Legal Officer of OppenheimerFunds, Inc. and OppenheimerFunds Distributor, Inc. (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.
Jennifer Foxson, Vice President and Chief Business Officer (since 2014) Year of Birth: 1969	Senior Vice President of OppenheimerFunds Distributor, Inc. (since June 2014); Vice President of OppenheimerFunds Distributor, Inc. (April 2006-June 2014); Vice President of OppenheimerFunds, Inc. (January 1998-March 2006); Assistant Vice President of OppenheimerFunds, Inc. (October 1991-December 1998).
Mary Ann Picciotto, Chief Compliance Officer and Chief Anti-Money Laundering Officer (since 2014) Year of Birth: 1973	Asset Management, Inc. (since March 2014); Chief Compliance Officer of OppenheimerFunds, Inc., OFI SteelPath, Inc., 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).
Brian S. Petersen, Treasurer and Principal Financial & Accounting Officer (since 2016) Year of Birth: 1970	Senior Vice President of OFI Global Asset Management, Inc. (since January 2017); Vice President of OFI Global Asset Management, Inc. (January 2013-January 2017); Vice President of OppenheimerFunds, Inc. (February 2007-December 2012); Assistant Vice President of OppenheimerFunds, Inc. (August 2002-2007).

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.

OPPENHEIMER INTERNATIONAL GROWTH 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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December 31, 2018

Oppenheimer

Main Street Small Cap Fund/VA

A Series of Oppenheimer Variable Account Funds

Annual Report

ANNUAL REPORT

Listing of Top Holdings

Fund Performance Discussion

Financial Statements

PORTFOLIO MANAGERS: Matthew P. Ziehl, CFA, Raymond Anello, CFA, Raman Vardharaj, CFA, Joy Budzinski, Kristin Ketner, Magnus Krantz and Adam Weiner.

AVERAGE ANNUAL TOTAL RETURNS FOR THE PERIODS ENDED 12/31/18

	Inception Date	1-Year	5-Year	10-Year
Non-Service Shares	5/1/98	-10.32%	4.94%	13.37%
Service Shares	7/16/01	-10.54	4.69	13.09
Russell 2000 Index		-11.01	4.41	11.97

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.*

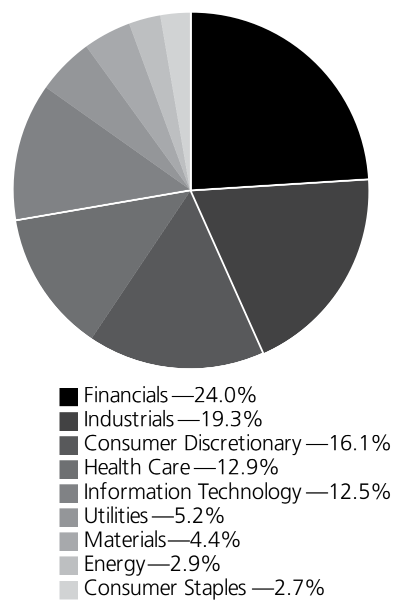
TOP HOLDINGS AND ALLOCATIONS

TOP TEN COMMON STOCK HOLDINGS

Korn/Ferry International	2.1%
Four Corners Property Trust, Inc.	2.1
CACI International, Inc., Cl. A	2.0
ASGN, Inc.	1.9
Jack in the Box, Inc.	1.8
National Storage Affiliates Trust	1.8
Zynga, Inc., Cl. A	1.8
Generac Holdings, Inc.	1.7
j2 Global, Inc.	1.6
Visteon Corp.	1.6

Portfolio holdings and allocations are subject to change. Percentages are as of December 31, 2018, and are based on net assets.

SECTOR ALLOCATION



Portfolio holdings and allocations are subject to change. Percentages are as of December 31, 2018, and are based on the total market value of common stocks.

For more current Fund holdings, please visit oppenheimerfunds.com.

Fund Performance Discussion

During a volatile year, the Fund's Non-Service shares produced a return of -10.32%. In comparison, the Fund outperformed the Russell 2000 Index (the "Index"), which returned -11.01%. The Fund's outperformance versus the Index for the one-year period ended December 31, 2018, stemmed largely from stock selection within the Energy, Health Care, and Information Technology sectors. The largest underperformer for the Fund was stock selection in the Financials sector. Stock selection in the Industrials and Materials sectors also detracted from performance this period.

MARKET OVERVIEW

The U.S. economy continues to exhibit good economic growth, low unemployment and modest inflation. This is driven partly by tax cuts, technological innovation and falling regulatory hurdles. That said, the effects of the strain in the trading relationship with China have been a headwind to growth, but not nearly enough to offset the strong momentum in the economy.

Markets were volatile in 2018, particularly later in the year. Small caps, and equity markets in general, were under severe pressure during the fourth quarter of 2018 with the Russell 2000 Index declining by roughly 20%. The S&P 500 Index also experienced its worst quarterly return since the depths of the financial crises in 2008.

We continue to focus on the fundamentals of each business to drive our investment decisions versus getting caught up in the temporary emotions of the market, always with the long-term welfare of our shareholders in mind. Our philosophy is to focus on companies we believe have sustainable competitive advantages that can outperform in most market environments. We combine this with our valuation discipline to seek a margin of safety, with downside protection an important consideration. That being said, we do have a history of underperforming in go-go markets and out-performing in bear markets.

TOP INDIVIDUAL CONTRIBUTORS

Holdings that were contributors to the Fund's performance this period included Renewable Energy Group, Amedisys, and Etsy.

Home health provider Amedisys posted several quarters of better-than-expected earnings due to operational improvements, notably in labor cost management. Investors also warmed to the home health space as the reimbursement environment has improved, which we have long expected based on the lower all-in cost and patient preference for treatment. Late in the year we exited the position at a significant profit due to valuation.

Renewable Energy Group rallied as investors cheered the company's second quarter earnings report showing improved profitability and a strengthening balance sheet. These results were supported by regulatory measures enacted late last year reducing imports along with a retroactive extension of the biodiesel mixture excise tax credit for 2017, which boosted earnings and removed an uncertainty overhang to the stock. These developments have helped the company to continue emerging as a long-term leader in bio-based fuel.

Etsy's stock moved substantially higher after instituting a significant price increase to narrow the "take rate" discount that was in place relative to other marketplaces. This was interpreted by the market as a sign of confidence that the marketplace has developed enough stickiness with sellers to support pricing power. Along with the pricing move helping top-line revenue growth and margins, the company will reinvest some of the proceeds to support more aggressive marketing to gain new buyers, enhance repeat purchase activity and improve conversion, which offers a lot of runway for continued strong growth for the foreseeable future.

TOP INDIVIDUAL DETRACTORS

Top detractors from performance included Visteon, Summit Materials, and Prestige Consumer Healthcare.

Visteon designs, engineers and manufactures cockpit electronics products and connected car solutions for most of the world's major vehicle manufacturers. After a strong run over the past two to three years of meeting/beating analyst earnings estimates, the company reported had a disappointing 2018. Specifically, the company has been facing increasing headwinds related to softening vehicle production, diesel demand, and tariffs. While we acknowledge that the near-term outlook for the company has weakened, we think the company's large backlog of $21 billion (roughly 7x annual sales), strong balance sheet and free cash flow, should help them weather a more challenging environment. After the recent pullback, we see the shares as having an attractive risk-reward given our two- to three-year outlook.

Summit is one of the fastest growing construction materials companies that supplies aggregates, cement, ready-mix concrete and asphalt paving mix in the U.S. and western Canada. The company had a rough 2018 given the negative impact from poor weather in several of its key end markets combined with higher costs for raw materials, freight, labor, and fuel. Demand remains generally healthy and we are optimistic regarding the outlook for infrastructure spending over the next three to five years, which we believe should be beneficial for Summit. After the stock's recent pullback, we see the shares as offering an attractive risk-reward over the intermediate-to-long term.

Prestige markets, sells, and distributes various over-the-counter healthcare and consumer products. In 2017 and into 2018, Consumer Staples as a group were under pressure due to a variety of factors, and Prestige was no exception. Organic sales trends slowed and cost pressures increased, especially for transportation. Despite an attractive valuation, we exited the stock during the second quarter of 2018 as we did not see a catalyst for fundamental improvement.

STRATEGY & OUTLOOK

In the short term, we expect the U.S. economy to continue to show economic growth, albeit at slower rates than experienced in 2018 as the "sugar high" from tax cuts wears off. This will be driven by favorable ongoing consumer confidence, falling regulatory hurdles, as well as technological innovation. The biggest macro risks we see are trade tariffs and higher interest rates.

Speculation remains at an elevated level. Mania around cryptocurrency earlier in the year and cannabis stocks more recently are symptoms of these. We believe an equally big risk to stock prices is the stock market's preference for so called "disruptors" and the potential for stocks with this perceived characteristic to become crowded trades and have valuations untethered to financial reality. While some of the high flyers lost altitude in the fourth quarter as the market corrected, a true capitulation point has not yet been reached.

Regarding trade tariffs, while concern has risen in recent weeks, the market continues to view bluster from D.C. as a negotiating tactic and is implying that all will end well. So far this has been borne out in trade negotiations between the U.S., Mexico and Canada. A true escalation could severely hamper global growth and thereby stock prices. Innovation, while a positive for the overall economy over the long term, creates short-term disruptions of which to be cognizant. Lastly, we are afraid companies have become addicted to low interest rates. If interest rates were to continue to rise materially, some companies' historical decisions will look like a misallocation of capital and negatively impact their stock prices.

We believe a rise in interest rates and other monetary tightening will have profound implications for the equity markets. Due to the 2008 crisis, interest rates were driven to record lows and a flood of liquidity was unleashed. Short-term interest rates were at essentially zero and even longer rates were driven to around 2%. This was not just flash in the pan either, as the rates stayed at these levels for multiple years. When the cost of money became close to zero and its availability abundant, the equity market's horizon became longer for start-ups delivering profits. As a result, we have seen several companies focus on revenue growth through disruption without regard to profit generation.

We are afraid even established companies are addicted to low interest rates which is not sustainable for longer-term profitable growth. Once this corrects, it will be healthy in the longer-term because it will drive companies to generate profits. "Profitable Revenue Growth" is better, tougher and more sustainable than mere "Revenue Growth". Over time, companies that generate such profitable growth are more durable investments with better down-side protection even though they may look a little short in a speculative environment. As a famous investor once said, you don't know who has been swimming naked until the tide rolls out. At the moment, the tide is lower than it was a few months ago, but still relatively high. We know this won't be the situation in perpetuity.

We continue to maintain our discipline around valuation and focus on companies with competitive advantages and skilled management teams that are out-executing peers. Evidence of this in the companies we look for include high returns on invested capital, consistently strong pricing power, and/or rising market shares. During times of economic volatility such companies frequently widen their lead over weaker competitors. We seek to invest in companies characterized by these qualities at compelling valuations and believe this disciplined approach is essential to generating superior long-term performance, especially in down markets.

We fully believe that over a complete market cycle, the value of our strategy will become apparent again.

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.

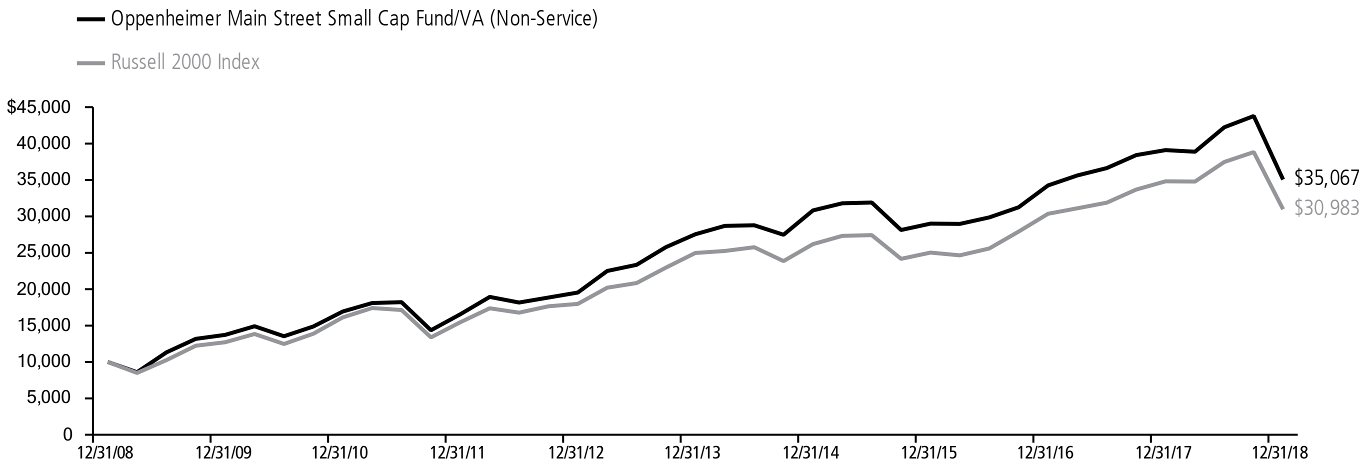
The views in the Fund Performance Discussion represent the opinions of this Fund's portfolio managers and are not intended as investment advice or to predict or depict the performance of any investment. These views are as of the close of business on December 31, 2018, and are subject to change based on subsequent developments. The Fund's portfolio and strategies are subject to change.

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, 2018. 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 Russell 2000 Index, which measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. 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.

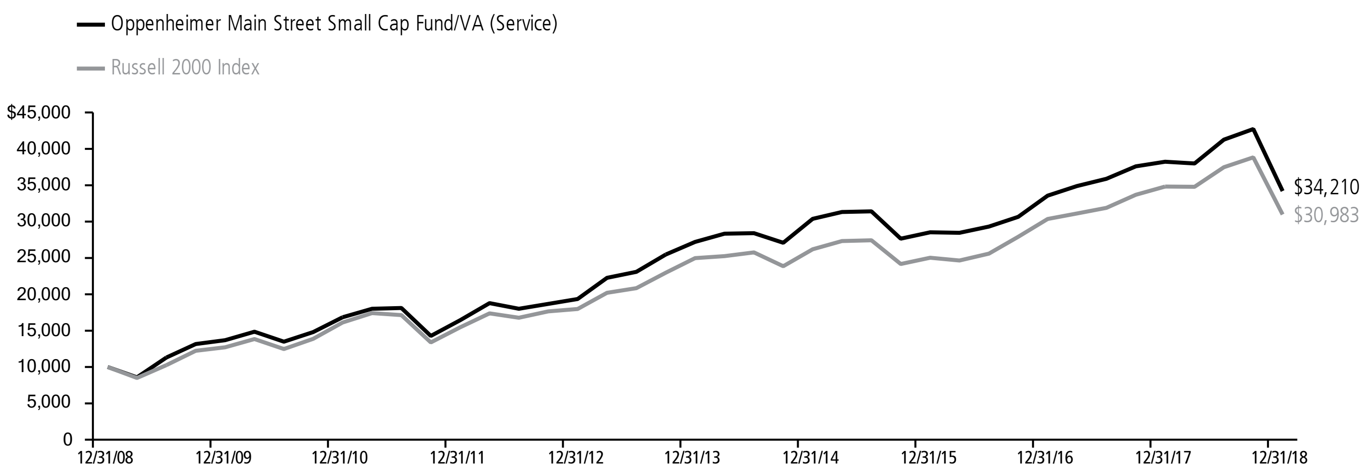
COMPARISON OF CHANGE IN VALUE OF $10,000 HYPOTHETICAL INVESTMENTS IN:



Average Annual Total Returns of Non-Service Shares of the Fund at 12/31/18

1-Year **-10.32%** 5-Year **4.94%** 10-Year **13.37%**

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



Average Annual Total Returns of Service Shares of the Fund at 12/31/18

1-Year **-10.54%** 5-Year **4.69%** 10-Year **13.09%**

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, 2018.

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, 2018" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes.

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

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any charges associated with the separate accounts that offer this Fund. Therefore, the "hypothetical" lines of the table are useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these separate account charges were included your costs would have been higher.

Actual	**Beginning Account Value July 1, 2018**	**Ending Account Value December 31, 2018**	**Expenses Paid During 6 Months Ended December 31, 2018**
Non-Service shares	$ 1,000.00	$ 830.00	$ 3.70
Service shares	1,000.00	829.10	4.85
Hypothetical (5% return before expenses)			
Non-Service shares	1,000.00	1,021.17	4.08
Service shares	1,000.00	1,019.91	5.36

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, 2018 are as follows:

Class	**Expense Ratios**
Non-Service shares	0.80%
Service shares	1.05

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.

STATEMENT OF INVESTMENTS December 31, 2018

	Shares	Value
Common Stocks—97.9%		
Consumer Discretionary—15.9%		
Auto Components—2.9%		
Dorman Products, Inc.[1]	126,710	$ 11,406,434
Visteon Corp.[1]	217,910	13,135,615
		24,542,049
Diversified Consumer Services—2.0%		
Houghton Mifflin Harcourt Co.[1]	1,044,850	9,257,371
Weight Watchers International, Inc.[1]	195,210	7,525,345
		16,782,716
Entertainment—1.8%		
Zynga, Inc., Cl. A[1]	3,882,937	15,259,942
Hotels, Restaurants & Leisure—4.3%		
Jack in the Box, Inc.	201,510	15,643,222
Texas Roadhouse, Inc., Cl. A	178,600	10,662,420
Wendy's Co. (The)	703,130	10,975,859
		37,281,501
Household Durables—0.8%		
TopBuild Corp.[1]	144,410	6,498,450
Internet & Catalog Retail—0.8%		
Etsy, Inc.[1]	147,920	7,036,554
Specialty Retail—3.3%		
AutoNation, Inc.[1]	275,140	9,822,498
Children's Place, Inc. (The)	140,760	12,681,069
Michaels Cos., Inc. (The)[1]	446,130	6,040,600
		28,544,167
Consumer Staples—2.6%		
Household Products—1.5%		
Energizer Holdings, Inc.	277,370	12,523,255
Personal Products—1.1%		
Nu Skin Enterprises, Inc., Cl. A	159,160	9,761,283
Energy—2.8%		
Oil, Gas & Consumable Fuels—2.8%		
Matador Resources Co.[1]	580,443	9,014,280
Noble Midstream Partners LP[2]	232,666	6,710,088
Renewable Energy Group, Inc.[1]	335,269	8,616,413
		24,340,781
Financials—23.6%		
Capital Markets—2.2%		
Federated Investors, Inc., Cl. B	216,900	5,758,695
Focus Financial Partners, Inc., Cl. A[1]	132,200	3,480,826
Stifel Financial Corp.	229,640	9,511,689
		18,751,210
Commercial Banks—8.9%		
Bank of NT Butterfield & Son Ltd. (The)	267,720	8,393,022
BankUnited, Inc.	307,085	9,194,125
Berkshire Hills Bancorp, Inc.	237,940	6,417,242
Cathay General Bancorp	168,580	5,652,487
Chemical Financial Corp.	212,586	7,782,774
Columbia Banking System, Inc.	194,650	7,063,849
Customers Bancorp, Inc.[1]	231,550	4,214,210
Heritage Financial Corp.	191,930	5,704,160
IBERIABANK Corp.	145,740	9,368,167
Pacific Premier Bancorp, Inc.[1]	179,570	4,582,626
Sterling Bancorp	488,030	8,057,375
		76,430,037
Insurance—1.9%		
James River Group Holdings Ltd.	169,632	6,198,353
ProAssurance Corp.	240,160	9,740,890
		15,939,243
Real Estate Investment Trusts (REITs)—7.7%		
Brandywine Realty Trust	877,960	11,299,345
DiamondRock Hospitality Co.	1,440,900	13,083,372
EPR Properties	131,400	8,413,542

	Shares	Value
Real Estate Investment Trusts (REITs) (Continued)		
Four Corners Property Trust, Inc.	676,000	$ 17,711,200
National Storage Affiliates Trust	583,246	15,432,689
		65,940,148
Thrifts & Mortgage Finance—2.9%		
Beneficial Bancorp, Inc.	443,740	6,341,045
OceanFirst Financial Corp.	337,233	7,591,115
WSFS Financial Corp.	298,820	11,328,266
		25,260,426
Health Care—12.6%		
Biotechnology—3.3%		
Emergent BioSolutions, Inc.[1]	176,370	10,455,214
Ligand Pharmaceuticals, Inc.[1]	52,280	7,094,396
Repligen Corp.[1]	152,710	8,053,925
uniQure NV[1]	96,860	2,791,505
		28,395,040
Health Care Equipment & Supplies—3.4%		
AtriCure, Inc.[1]	174,770	5,347,962
CryoPort, Inc.[1]	214,700	2,368,141
Inogen, Inc.[1]	29,460	3,658,048
Quidel Corp.[1]	140,650	6,866,533
Senseonics Holdings, Inc.[1]	1,024,559	2,653,608
Wright Medical Group NV[1]	296,120	8,060,386
		28,954,678
Health Care Providers & Services—2.9%		
Addus HomeCare Corp.[1]	108,312	7,352,219
Diplomat Pharmacy, Inc.[1]	397,790	5,354,253
LHC Group, Inc.[1]	132,770	12,464,448
		25,170,920
Health Care Technology—1.6%		
Inspire Medical Systems, Inc.[1]	133,243	5,629,517
Teladoc Health, Inc.[1]	163,940	8,126,506
		13,756,023
Pharmaceuticals—1.4%		
Intersect ENT, Inc.[1]	207,210	5,839,178
TherapeuticsMD, Inc.[1]	1,007,470	3,838,461
Zogenix, Inc.[1]	67,060	2,445,007
		12,122,646
Industrials—18.8%		
Airlines—1.3%		
Spirit Airlines, Inc.[1]	189,320	10,965,414
Building Products—1.1%		
Masonite International Corp.[1]	203,641	9,129,226
Commercial Services & Supplies—2.2%		
ACCO Brands Corp.	1,219,957	8,271,309
Advanced Disposal Services, Inc.[1]	443,077	10,607,263
		18,878,572
Construction & Engineering—1.9%		
Dycom Industries, Inc.[1]	129,610	7,004,125
KBR, Inc.	638,991	9,699,883
		16,704,008
Electrical Equipment—2.1%		
Atkore International Group, Inc.[1]	172,210	3,416,646
Generac Holdings, Inc.[1]	302,390	15,028,783
		18,445,429
Machinery—5.0%		
EnPro Industries, Inc.	123,600	7,428,360
Evoqua Water Technologies Corp.[1]	640,040	6,144,384
Greenbrier Cos., Inc. (The)	237,170	9,377,702
Manitowoc Co., Inc. (The)[1]	246,547	3,641,499
Navistar International Corp.[1]	237,500	6,163,125
Rexnord Corp.[1]	450,680	10,343,106
		43,098,176

	Shares	Value
Professional Services—4.0%		
ASGN, Inc.[1]	303,316	$ 16,530,722
Korn/Ferry International	461,865	18,262,142
		34,792,864
Road & Rail—1.2%		
Genesee & Wyoming, Inc., Cl. A[1]	138,520	10,253,250
Information Technology—12.1%		
IT Services—2.9%		
CACI International, Inc., Cl. A[1]	122,909	17,702,583
Perspecta, Inc.	442,234	7,615,270
		25,317,853
Semiconductors & Semiconductor Equipment—2.3%		
Brooks Automation, Inc.	311,810	8,163,186
MKS Instruments, Inc.	186,290	12,036,197
		20,199,383
Software—6.9%		
Blackline, Inc.[1]	207,430	8,494,259
Envestnet, Inc.[1]	122,460	6,023,807
j2 Global, Inc.	199,503	13,841,518
Paylocity Holding Corp.[1]	128,540	7,739,393
Pegasystems, Inc.	207,621	9,930,513
Q2 Holdings, Inc.[1]	180,580	8,947,739
SendGrid, Inc.[1]	109,089	4,709,372
		59,686,601

	Shares	Value
Materials—4.3%		
Construction Materials—0.9%		
Summit Materials, Inc., Cl. A[1]	600,521	$ 7,446,460
Metals & Mining—3.4%		
Allegheny Technologies, Inc.[1]	437,758	9,529,992
Compass Minerals International, Inc.	163,990	6,836,743
Kaiser Aluminum Corp.	143,579	12,820,169
		29,186,904
Utilities—5.2%		
Gas Utilities—2.5%		
South Jersey Industries, Inc.	301,570	8,383,646
Suburban Propane Partners LP[2]	671,450	12,938,841
		21,322,487
Multi-Utilities—2.7%		
Black Hills Corp.	204,950	12,866,761
NorthWestern Corp.	168,300	10,003,752
		22,870,513
Total Common Stocks (Cost $811,713,260)		841,588,209
Investment Company—2.0%		
Oppenheimer Institutional Government Money Market Fund, Cl. E, 2.35%[3,4] (Cost $17,392,506)	17,392,506	17,392,506
Total Investments, at Value (Cost $829,105,766)	99.9%	858,980,715
Net Other Assets (Liabilities)	0.1	950,648
Net Assets	**100.0%**	**$ 859,931,363**

Footnotes to Statement of Investments

1. Non-income producing security.
2. Security is a Master Limited Partnership.
3. Rate shown is the 7-day yield at period end.
4. 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, 2017	Gross Additions	Gross Reductions	Shares December 31, 2018
Investment Company				
Oppenheimer Institutional Government Money Market Fund, Cl. E	20,455,339	309,074,983	312,137,816	17,392,506

	Value	Income	Realized Gain (Loss)	Change in Unrealized Gain (Loss)
Investment Company				
Oppenheimer Institutional Government Money Market Fund, Cl. E	$ 17,392,506	$ 277,052	$ —	$ —

See accompanying Notes to Financial Statements.

STATEMENT OF ASSETS AND LIABILITIES December 31, 2018

Assets		
Investments, at value—see accompanying statement of investments:		
Unaffiliated companies (cost $811,713,260)	$	841,588,209
Affiliated companies (cost $17,392,506)		17,392,506
		858,980,715
Cash		1,000,000
Receivables and other assets:		
Shares of beneficial interest sold		654,407
Dividends		465,444
Other		88,775
Total assets		861,189,341
Liabilities		
Payables and other liabilities:		
Investments purchased		637,583
Shares of beneficial interest redeemed		307,288
Distribution and service plan fees		163,820
Trustees' compensation		70,440
Shareholder communications		44,093
Other		34,754
Total liabilities		1,257,978
Net Assets	**$**	**859,931,363**
Composition of Net Assets		
Par value of shares of beneficial interest	$	42,826
Additional paid-in capital		744,638,476
Total distributable earnings		115,250,061
Net Assets	**$**	**859,931,363**
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 $123,961,720 and 6,087,111 shares of beneficial interest outstanding)		$20.36
Service Shares:		
Net asset value, redemption price per share and offering price per share (based on net assets of $735,969,643 and 36,738,947 shares of beneficial interest outstanding)		$20.03

See accompanying Notes to Financial Statements.

STATEMENT OF OPERATIONS For the Year Ended December 31, 2018

Investment Income	
Dividends:	
Unaffiliated companies	$ 11,260,249
Affiliated companies	277,052
Interest	38
Total investment income	11,537,339
Expenses	
Management fees	7,205,624
Distribution and service plan fees — Service shares	2,282,289
Transfer and shareholder servicing agent fees:	
Non-Service shares	180,576
Service shares	1,095,498
Shareholder communications:	
Non-Service shares	25,797
Service shares	153,501
Trustees' compensation	35,056
Borrowing fees	34,466
Custodian fees and expenses	6,999
Other	77,522
Total expenses	11,097,328
Less reduction to custodian expenses	(538)
Less waivers and reimbursements of expenses	(272,873)
Net expenses	10,823,917
Net Investment Income	713,422
Realized and Unrealized Gain (Loss)	
Net realized gain (loss) on:	
Investment transactions in unaffiliated companies	96,680,793
Foreign currency transactions	(333)
Net realized gain	96,680,460
Net change in unrealized appreciation/(depreciation) on investment transactions in unaffiliated companies	(191,923,313)
Net Decrease in Net Assets Resulting from Operations	**$ (94,529,431)**

See accompanying Notes to Financial Statements.

STATEMENTS OF CHANGES IN NET ASSETS

	Year Ended December 31, 2018	Year Ended December 31, 2017[1]
Operations		
Net investment income	$ 713,422	$ 700,445
Net realized gain	96,680,460	146,346,143
Net change in unrealized appreciation/(depreciation)	(191,923,313)	(7,293,562)
Net increase (decrease) in net assets resulting from operations	(94,529,431)	139,753,026
Dividends and/or Distributions to Shareholders		
Dividends and distributions declared:		
Non-Service shares	(19,059,602)	(9,410,741)
Service shares	(117,234,118)	(55,255,007)
Total dividends and distributions declared	(136,293,720)	(64,665,748)
Beneficial Interest Transactions		
Net increase (decrease) in net assets resulting from beneficial interest transactions:		
Non-Service shares	4,916,454	(3,222,317)
Service shares	(2,571,998)	(50,919,555)
Total beneficial interest transactions	2,344,456	(54,141,872)
Net Assets		
Total increase (decrease)	(228,478,695)	20,945,406
Beginning of period	1,088,410,058	1,067,464,652
End of period	**$ 859,931,363**	**$ 1,088,410,058**

1. Prior period amounts have been conformed to current year presentation. See Notes to Financial Statements, Note 2– New Accounting Pronouncements for further details.

See accompanying Notes to Financial Statements.

Non-Service Shares	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Per Share Operating Data					
Net asset value, beginning of period	$25.79	$24.08	$21.32	$26.56	$27.80
Income (loss) from investment operations:					
Net investment income[1]	0.07	0.07	0.16	0.12	0.26
Net realized and unrealized gain (loss)	(2.07)	3.22	3.55	(1.28)	2.74
Total from investment operations	(2.00)	3.29	3.71	(1.16)	3.00
Dividends and/or distributions to shareholders:					
Dividends from net investment income	(0.08)	(0.22)	(0.11)	(0.23)	(0.25)
Distributions from net realized gain	(3.35)	(1.36)	(0.84)	(3.85)	(3.99)
Total dividends and/or distributions to shareholders	(3.43)	(1.58)	(0.95)	(4.08)	(4.24)
Net asset value, end of period	**$20.36**	**$25.79**	**$24.08**	**$21.32**	**$26.56**
Total Return, at Net Asset Value[2]	(10.32)%	14.15%	18.05%	(5.90)%	11.93%
Ratios/Supplemental Data					
Net assets, end of period (in thousands)	$123,962	$152,617	$145,428	$129,104	$136,402
Average net assets (in thousands)	$150,279	$150,376	$130,889	$134,932	$133,864
Ratios to average net assets:[3]					
Net investment income	0.28%	0.28%	0.74%	0.49%	0.99%
Expenses excluding specific expenses listed below	0.83%	0.80%	0.81%	0.80%	0.80%
Interest and fees from borrowings	0.00%[4]	0.00%[4]	0.00%[4]	0.00%[4]	0.00%
Total expenses[5]	0.83%	0.80%	0.81%	0.80%	0.80%
Expenses after payments, waivers and/or reimbursements and reduction to custodian expenses	0.80%	0.80%[6]	0.80%	0.80%[6]	0.79%
Portfolio turnover rate	45%	42%	65%	43%	65%

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. Less than 0.005%.
5. Total expenses including indirect expenses from affiliated fund fees and expenses were as follows:

Year Ended December 31, 2018	0.83%
Year Ended December 31, 2017	0.80%
Year Ended December 31, 2016	0.81%
Year Ended December 31, 2015	0.80%
Year Ended December 31, 2014	0.80%

6. Waiver was less than 0.005%.

See accompanying Notes to Financial Statements.

Service Shares	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Per Share Operating Data					
Net asset value, beginning of period	$25.42	$23.75	$21.05	$26.26	$27.53
Income (loss) from investment operations:					
Net investment income[1]	0.01	0.01	0.10	0.06	0.19
Net realized and unrealized gain (loss)	(2.03)	3.18	3.49	(1.25)	2.71
Total from investment operations	(2.02)	3.19	3.59	(1.19)	2.90
Dividends and/or distributions to shareholders:					
Dividends from net investment income	(0.02)	(0.16)	(0.05)	(0.17)	(0.18)
Distributions from net realized gain	(3.35)	(1.36)	(0.84)	(3.85)	(3.99)
Total dividends and/or distributions to shareholders	(3.37)	(1.52)	(0.89)	(4.02)	(4.17)
Net asset value, end of period	**$20.03**	**$25.42**	**$23.75**	**$21.05**	**$26.26**
Total Return, at Net Asset Value[2]	(10.54)%	13.91%	17.67%	(6.09)%	11.66%
Ratios/Supplemental Data					
Net assets, end of period (in thousands)	$735,969	$935,793	$922,037	$856,719	$968,637
Average net assets (in thousands)	$911,784	$919,475	$850,883	$927,514	$957,874
Ratios to average net assets:[3]					
Net investment income	0.03%	0.03%	0.49%	0.24%	0.75%
Expenses excluding specific expenses listed below	1.08%	1.05%	1.06%	1.05%	1.05%
Interest and fees from borrowings	0.00%[4]	0.00%[4]	0.00%[4]	0.00%[4]	0.00%
Total expenses[5]	1.08%	1.05%	1.06%	1.05%	1.05%
Expenses after payments, waivers and/or reimbursements and reduction to custodian expenses	1.05%	1.05%[6]	1.05%	1.05%[6]	1.04%
Portfolio turnover rate	45%	42%	65%	43%	65%

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. Less than 0.005%.
5. Total expenses including indirect expenses from affiliated fund fees and expenses were as follows:

Year Ended December 31, 2018	1.08%
Year Ended December 31, 2017	1.05%
Year Ended December 31, 2016	1.06%
Year Ended December 31, 2015	1.05%
Year Ended December 31, 2014	1.05%

6. Waiver was less than 0.005%.

See accompanying Notes to Financial Statements.

1. Organization

Oppenheimer Main Street Small Cap 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 investment objective is to seek capital appreciation. The Fund's investment adviser is OFI Global Asset Management, Inc. ("OFI Global" or the "Manager"), a wholly-owned subsidiary of OppenheimerFunds, Inc. ("OFI" or the "Sub-Adviser"). The Manager has entered into a sub-advisory agreement with OFI. Shares of the Fund are sold only to separate accounts of life insurance companies.

The Fund offers two classes of shares. Both classes are sold at their offering price, which is the net asset value per share, to separate investment accounts of participating insurance companies as an underlying investment for variable life insurance policies, variable annuity contracts or other investment products. The class of shares designated as Service shares is subject to a distribution and service plan. Both classes of shares have identical rights and voting privileges with respect to the Fund in general and exclusive voting rights on matters that affect that class alone. Earnings, net assets and net asset value per share may differ due to each class having its own expenses, such as transfer and shareholder servicing agent fees and shareholder communications, directly attributable to that class.

The following is a summary of significant accounting policies followed in the Fund's preparation of financial statements in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

2. Significant Accounting Policies

Security Valuation. All investments in securities are recorded at their estimated fair value, as described in Note 3.

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 Statement of Operations.

For securities, which are subject to foreign withholding tax upon disposition, realized and unrealized 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 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 Statement of Operations, are amortized or accreted daily.

Return of Capital Estimates. Distributions received from the Fund's investments in Master Limited Partnerships (MLPs) and Real Estate Investments Trusts (REITs), generally are comprised of income and return of capital. Any return of capital estimates in excess of cost basis are classified as realized gain. The Fund records investment income and return of capital based on estimates. Such estimates are based on historical information available from each MLP, REIT and other industry sources. These estimates may subsequently be revised based on information received from MLPs and REITs after their tax reporting periods are concluded.

Custodian Fees. "Custodian fees and expenses" in the Statement of Operations may include interest expense incurred by the Fund on any cash overdrafts of its custodian account during the period. Such cash overdrafts may result from the effects of failed trades in portfolio securities and from cash outflows resulting from unanticipated shareholder redemption activity. The Fund pays interest to its custodian on such cash overdrafts, to the extent they are not offset by positive cash balances maintained by the Fund, at a rate equal to the Federal Funds Rate plus 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

2. Significant Accounting Policies (Continued)
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, 2018, including open tax years, and does not believe there are any uncertain tax positions requiring recognition in the Fund's financial statements.

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]	Net Unrealized Appreciation Based on cost of Securities and Other Investments for Federal Income Tax Purposes
$8,560,095	$76,676,963	$—	$30,083,441

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

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	Reduction to Accumulated Net Earnings[3]
$8,899,249	$8,899,249

3. $8,899,091, including $8,123,465 of long-term capital gain, was distributed in connection with Fund share redemptions.

The tax character of distributions paid during the reporting periods:

	Year Ended December 31, 2018	Year Ended December 31, 2017
Distributions paid from:		
Ordinary income	$ 29,120,771	$ 7,234,432
Long-term capital gain	107,172,949	57,431,316
Total	**$ 136,293,720**	**$ 64,665,748**

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	**$ 828,897,274**
Gross unrealized appreciation	$ 131,490,605
Gross unrealized depreciation	(101,407,164)
Net unrealized appreciation	**$ 30,083,441**

2. Significant Accounting Policies (Continued)

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.

New Accounting Pronouncements. In March 2017, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU"), ASU 2017-08. This provides guidance related to the amortization period for certain purchased callable debt securities held at a premium. The ASU is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods. The Manager has evaluated the impacts of these changes on the financial statements and there are no material impacts.

During August 2018, the Securities and Exchange Commission (the "SEC") issued Final Rule Release No. 33-10532 (the "Rule"), Disclosure Update and Simplification. The rule amends certain financial statement disclosure requirements to conform to U.S. GAAP. The amendments to Rule 6-04.17 of Regulation S-X (balance sheet) remove the requirement to separately state the book basis components of net assets: undistributed (over-distribution of) net investment income ("UNII"), accumulated undistributed net realized gains (losses), and net unrealized appreciation (depreciation) at the balance sheet date. Instead, consistent with U.S. GAAP, funds will be required to disclose total distributable earnings. The amendments to Rule 6-09 of Regulation S-X (statement of changes in net assets) remove the requirement to separately state the sources of distributions paid. Instead, consistent with U.S. GAAP, funds will be required to disclose the total amount of distributions paid, except that any tax return of capital must be separately disclosed. The amendments also remove the requirement to parenthetically state the book basis amount of UNII on the statement of changes in net assets. The requirements of the Rule are effective November 5, 2018, and the Funds' Statement of Assets and Liabilities and Statement of Changes in Net Assets for the current reporting period have been modified accordingly. In addition, certain amounts within each Fund's Statement of Changes in Net Assets for the prior fiscal period have been modified to conform to the Rule.

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" or "NYSE") 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.

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.

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

3. Securities Valuation (Continued)

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 Statement of Assets and Liabilities at period end based on valuation input level:

	Level 1— Unadjusted Quoted Prices	Level 2— Other Significant Observable Inputs	Level 3— Significant Unobservable Inputs	Value
Assets Table				
Investments, at Value:				
Common Stocks				
Consumer Discretionary	$ 135,945,379	$ —	$ —	$ 135,945,379
Consumer Staples	22,284,538	—	—	22,284,538
Energy	24,340,781	—	—	24,340,781
Financials	202,321,064	—	—	202,321,064
Health Care	108,399,307	—	—	108,399,307
Industrials	162,266,939	—	—	162,266,939
Information Technology	105,203,837	—	—	105,203,837
Materials	36,633,364	—	—	36,633,364
Utilities	44,193,000	—	—	44,193,000
Investment Company	17,392,506	—	—	17,392,506
Total Assets	**$ 858,980,715**	**$ —**	**$ —**	**$ 858,980,715**

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.

For the reporting period, there were no transfers between levels.

4. Investments and Risks

Investments in Affiliated Funds. The Fund is permitted to invest in other mutual funds advised by the Manager ("Affiliated Funds"). Affiliated Funds are management investment companies registered under the 1940 Act, as amended. The Manager is the investment adviser of, and the Sub-Adviser provides investment and related advisory services to, the Affiliated Funds. When applicable, the Fund's investments in Affiliated Funds are included in the Statement of Investments. Shares of Affiliated Funds are valued at their net asset value per share. As a shareholder, the Fund is subject to its proportional share of the Affiliated Funds' expenses, including their management fee. The Manager will waive fees and/or reimburse Fund expenses in an amount equal to the indirect management fees incurred through the Fund's investment in the Affiliated Funds.

Each of the Affiliated Funds in which the Fund invests has its own investment risks, and those risks can affect the value of the Fund's investments and therefore the value of the Fund's shares. To the extent that the Fund invests more of its assets in one Affiliated Fund than in another, the Fund will have greater exposure to the risks of that Affiliated Fund.

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 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.

Master Limited Partnerships ("MLPs"). MLPs issue common units that represent an equity ownership interest in a partnership and provide limited voting rights. MLP common units are registered with the Securities and Exchange Commission ("SEC"), and are freely tradable on securities exchanges such as the NYSE and the NASDAQ Stock Market ("NASDAQ"), or in the over-the-counter ("OTC") market. An MLP consists of one or more general partners, who conduct the business, and one or more limited partners, who contribute capital. MLP common unit holders have a limited role in the partnership's operations and management. The Fund, as a limited partner, normally would not be liable for the debts of the MLP beyond the amounts the Fund has contributed, but would not be shielded to the same extent that a shareholder of a corporation would be. In certain circumstances creditors of an MLP would have the right to seek return of capital distributed to a limited partner. This right of an MLP's creditors would continue after the Fund sold its investment in the MLP.

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

4. Investments and Risks (Continued)

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.

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

5. Market Risk Factors

The Fund's investments in securities and/or financial derivatives may expose the Fund to various market risk factors:

Commodity Risk. Commodity risk relates to the change in value of commodities or commodity indexes as they relate to increases or decreases in the commodities market. Commodities are physical assets that have tangible properties. Examples of these types of assets are crude oil, heating oil, metals, livestock, and agricultural products.

Credit Risk. Credit risk relates to the ability of the issuer of debt to meet interest and principal payments, or both, as they come due. In general, lower-grade, higher-yield debt securities are subject to credit risk to a greater extent than lower-yield, higher-quality securities.

Equity Risk. Equity risk relates to the change in value of equity securities as they relate to increases or decreases in the general market.

Foreign Exchange Rate Risk. Foreign exchange rate risk relates to the change in the U.S. dollar value of a security held that is denominated in a foreign currency. The U.S. dollar value of a foreign currency denominated security will decrease as the dollar appreciates against the currency, while the U.S. dollar value will increase as the dollar depreciates against the currency.

Interest Rate Risk. Interest rate risk refers to the fluctuations in value of fixed-income securities resulting from the inverse relationship between price and yield. For example, an increase in general interest rates will tend to reduce the market value of already issued fixed-income investments, and a decline in general interest rates will tend to increase their value. In addition, debt securities with longer maturities, which tend to have higher yields, are subject to potentially greater fluctuations in value from changes in interest rates than obligations with shorter maturities.

Volatility Risk. Volatility risk refers to the magnitude of the movement, but not the direction of the movement, in a financial instrument's price over a defined time period. Large increases or decreases in a financial instrument's price over a relative time period typically indicate greater volatility risk, while small increases or decreases in its price typically indicate lower volatility risk.

6. Shares of Beneficial Interest

The Fund has authorized an unlimited number of $0.001 par value shares of beneficial interest of each class. Transactions in shares of beneficial interest were as follows:

	Year Ended December 31, 2018			Year Ended December 31, 2017		
	Shares		Amount	Shares		Amount
Non-Service Shares						
Sold	877,784	$	21,586,667	711,775	$	17,670,310
Dividends and/or distributions reinvested	754,537		19,059,602	392,769		9,410,741
Redeemed	(1,462,725)		(35,729,815)	(1,227,568)		(30,303,368)
Net increase (decrease)	**169,596**	**$**	**4,916,454**	**(123,024)**	**$**	**(3,222,317)**
Service Shares						
Sold	2,340,038	$	56,752,666	2,321,546	$	56,712,198
Dividends and/or distributions reinvested	4,711,982		117,234,118	2,336,364		55,255,007
Redeemed	(7,125,127)		(176,558,782)	(6,662,764)		(162,886,760)
Net decrease	**(73,107)**	**$**	**(2,571,998)**	**(2,004,854)**	**$**	**(50,919,555)**

7. Purchases and Sales of Securities

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

	Purchases	Sales
Investment securities	$463,481,479	$590,280,879

8. Fees and Other Transactions with Affiliates

Management Fees. Under the investment advisory agreement, the Fund pays the Manager a management fee based on the daily net assets of the Fund at an annual rate as shown in the following table:

8. Fees and Other Transactions with Affiliates (Continued)

Fee Schedule	
Up to $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	0.58
Over $5 billion	0.56

The Fund's effective management fee for the reporting period was 0.68% of average annual net assets before any applicable waivers.

Sub-Adviser Fees. The Manager has retained the Sub-Adviser to provide the day-to-day portfolio management of the Fund. Under the Sub-Advisory Agreement, the Manager pays the Sub-Adviser an annual fee in monthly installments, equal to a percentage of the investment management fee collected by the Manager from the Fund, which shall be calculated after any investment management fee waivers. The fee paid to the Sub-Adviser is paid by the Manager, not by the Fund.

Transfer Agent Fees. OFI Global (the "Transfer Agent") serves as the transfer and shareholder servicing agent for the Fund. The Fund pays the Transfer Agent a fee based on annual net assets. Fees incurred and average net assets for each class with respect to these services are detailed in the Statement of Operations and Financial Highlights, respectively.

Sub-Transfer Agent Fees. The Transfer Agent has retained Shareholder Services, Inc., a wholly-owned subsidiary of OFI (the "Sub-Transfer Agent"), to provide the day-to-day transfer agent and shareholder servicing of the Fund. Under the Sub-Transfer Agency Agreement, the Transfer Agent pays the Sub-Transfer Agent an annual fee in monthly installments, equal to a percentage of the transfer agent fee collected by the Transfer Agent from the Fund, which shall be calculated after any applicable fee waivers. The fee paid to the Sub-Transfer Agent is paid by the Transfer Agent, not by the Fund.

Trustees' Compensation. The Fund's Board of Trustees ("Board") has adopted a compensation deferral plan for Independent Trustees that enables Trustees to elect to defer receipt of all or a portion of the annual compensation they are entitled to receive from the Fund. For purposes of determining the amount owed to the Trustees under the plan, deferred amounts are treated as though equal dollar amounts had been invested in shares of the Fund or in other Oppenheimer funds selected by the Trustees. The Fund purchases shares of the funds selected for deferral by the Trustees in amounts equal to his or her deemed investment, resulting in a Fund asset equal to the deferred compensation liability. Such assets are included as a component of "Other" within the asset section of the Statement of Assets and Liabilities. Deferral of Trustees' fees under the plan will not affect the net assets of the Fund and will not materially affect the Fund's assets, liabilities or net investment income per share. Amounts will be deferred until distributed in accordance with the compensation deferral plan.

Distribution and Service Plan for Service Shares. The Fund has adopted a Distribution and Service Plan (the "Plan") pursuant to Rule 12b-1 under the 1940 Act for Service shares to pay OppenheimerFunds Distributor, Inc. (the "Distributor"), for distribution related services, personal service and account maintenance for the Fund's Service shares. Under the Plan, payments are made periodically at an annual rate of 0.25% of the daily net assets of Service shares of the Fund. The Distributor currently uses all of those fees to compensate sponsors of the insurance product that offers Fund shares, for providing personal service and maintenance of accounts of their variable contract owners that hold Service shares. These fees are paid out of the Fund's assets on an on-going basis and increase operating expenses of the Service shares, which results in lower performance compared to the Fund's shares that are not subject to a service fee. Fees incurred by the Fund under the Plan are detailed in the Statement of Operations.

Waivers and Reimbursements of Expenses. The Manager has contractually agreed to limit the Fund's expenses after payments, waivers and/or reimbursements and reduction to custodian expenses, excluding 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; so that those expenses, as percentages of daily net assets, will not exceed the annual rate of 0.80% for Non-Service shares and 1.05% for Service shares.

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

Non-Service Shares	$36,964
Service Shares	220,857

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 investment in IGMMF. During the reporting period, the Manager waived fees and/or reimbursed the Fund $15,052 for IGMMF management fees.

9. Borrowings and Other Financing

Joint Credit Facility. A number of mutual funds managed by the Manager participate in a $1.95 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

9. Borrowings and Other Financing (Continued)

the Facility are paid by the participating funds and are disclosed separately or as other expenses on the Statement of Operations. The Fund did not utilize the Facility during the reporting period.

10. Pending Acquisition

On October 18, 2018, Massachusetts Mutual Life Insurance Company, an indirect corporate parent of the Sub-Adviser and the Manager, announced that it has entered into an agreement whereby Invesco Ltd. ("Invesco"), a global investment management company, will acquire the Sub-Adviser (the "Transaction"). In connection with the Transaction, on January 11, 2019, the Fund's Board unanimously approved an Agreement and Plan of Reorganization (the "Agreement"), which provides for the transfer of the assets and liabilities of the Fund to a corresponding, newly formed fund (the "Acquiring Fund") in the Invesco family of funds (the "Reorganization") in exchange for shares of the corresponding Acquiring Fund of equal value to the value of the shares of the Fund as of the close of business on the closing date. Although the Acquiring Fund will be managed by Invesco Advisers, Inc., the Acquiring Fund will, as of the closing date, have the same investment objective and substantially similar principal investment strategies and risks as the Fund. After the Reorganization, Invesco Advisers, Inc. will be the investment adviser to the Acquiring Fund, and the Fund will be liquidated and dissolved under applicable law and terminate its registration under the Investment Company Act of 1940, as amended. The Reorganization is expected to be a tax-free reorganization for U.S. federal income tax purposes.

The Reorganization is subject to the approval of shareholders of the Fund. Shareholders of record of the Fund on January 14, 2019 will be entitled to vote on the Reorganization and will receive a combined prospectus and proxy statement describing the Reorganization, the shareholder meeting, and a discussion of the factors the Fund's Board considered in approving the Agreement. The combined prospectus and proxy statement is expected to be distributed to shareholders of record on or about February 28, 2019. The anticipated date of the shareholder meeting is on or about April 12, 2019.

If shareholders approve the Agreement and certain other closing conditions are satisfied or waived, the Reorganization is expected to close during the second quarter of 2019, or as soon as practicable thereafter. This is subject to change.

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 statement of assets and liabilities of Oppenheimer Main Street Small Cap Fund/VA, a separate series of Oppenheimer Variable Account Funds, (the "Fund"), including the statement of investments, as of December 31, 2018, the related statement of operations for the year then ended, the statements of changes in net assets for each of the years in the two year period then ended, and the related notes (collectively, the "financial statements") and the financial highlights for each of the years in the five year period then ended. 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, 2018, the results of its operations for the year then ended, the changes in its net assets for each of the years in the two year period then ended, and the 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 financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. We 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. 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. Such procedures also included confirmation of securities owned as of December 31, 2018, 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 financial statements and 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 14, 2019

In early 2019, if applicable, shareholders of record received information regarding all dividends and distributions paid to them by the Fund during calendar year 2018.

Capital gain distributions of $2.65537 per share were paid to Non-Service and Service shareholders, respectively, on June 19, 2018. Whether received in stock or in cash, the capital gain distribution should be treated by shareholders as a gain from the sale of the capital assets held for more than one year (long-term capital gains).

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 86.18% to arrive at the amount eligible for the corporate dividend-received deduction.

Dividends, if any, paid by the Fund during the reporting period which are not designated as capital gain distributions, may be eligible for lower individual income tax rates to the extent that the Fund has received qualified dividend income as stipulated by recent tax legislation. In early 2019, shareholders of record received information regarding the percentage of distributions that are eligible for lower individual income tax rates. The amount will be the maximum amount allowed.

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 Sub-Adviser's portfolio managers and 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 Matthew P. Ziehl, Raymond Anello, Raman Vardharaj, Joy Budzinski, Kristin Ketner, Magnus Krantz and Adam Weiner, 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 small blend funds underlying variable insurance products. The Board noted that the Fund outperformed its category median for each of the one-, five- and ten-year periods, though it underperformed its category median for the three-year period.

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 small blend funds 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). The Board considered that the Fund's contractual management fee and total expenses were lower than their respective peer group medians and category medians. The Board also considered that the Adviser has contractually agreed to waive fees and/or reimburse certain expenses so that the Fund's total annual operating expenses, as percentages of daily net assets, will not exceed the annual rate of 0.80% for Non-Service Shares and 1.05% for Service Shares. 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 Board further considered that the Adviser has agreed to waive fees and/or reimburse Fund expenses in an amount equal to the management fees incurred indirectly through the Fund's investments in funds managed by the Adviser or its affiliates.

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 and research provided to the Adviser in connection with permissible brokerage arrangements (soft dollar arrangements).

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, 2019. 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.

PORTFOLIO PROXY VOTING POLICIES AND GUIDELINES; UPDATES TO STATEMENT OF INVESTMENTS Unaudited

The Fund has adopted Portfolio Proxy Voting Policies and Guidelines under which the Fund votes proxies relating to securities ("portfolio proxies") held by the Fund. A description of the Fund's Portfolio Proxy Voting Policies and Guidelines is available (i) without charge, upon request, by calling the Fund toll-free at 1.800.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.

Name, Position(s) Held with the Fund, Length of Service, Year of Birth	Principal Occupation(s) During the Past 5 Years; Other Trusteeships/Directorships Held; Number of Portfolios in the Fund Complex Currently Overseen
INDEPENDENT TRUSTEES	*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. Each of the Trustees in the chart below oversees 58 portfolios in the OppenheimerFunds complex.*
Robert J. Malone, Chairman of the Board of Trustees (since 2016), Trustee (since 2002) Year of Birth: 1944	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. 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 Board's deliberations.
Andrew J. Donohue, Trustee (since 2017) Year of Birth: 1950	Director, Mutual Fund Directors Forum (since February 2018); 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). 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 Board's 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). 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 Board's 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 of the Board (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). 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 Board's deliberations.
Victoria J. Herget, Trustee (since 2012) Year of Birth:1951	Board Chair (2008-2015) and Director (2004-Present) of United Educators (insurance company); Trustee (since 2000) and Chair (2010-2017) of 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). 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 Board's 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; member, Women's Investment Management Forum (professional organization) (since inception) and Trustee of Jennies School for Little Children (non-profit) (2011-2014). 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 Board's deliberations.

James D. Vaughn, Trustee (since 2012) Year of Birth:1945	Retired; former managing partner (1994-2001) of Denver office of Deloitte & Touche LLP, (held various positions in Denver and New York offices from 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. 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 Board's 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. Mr. Steinmetz is an officer of 104 portfolios in the OppenheimerFunds complex.*
Arthur P. Steinmetz, Trustee (since 2015), President and Principal Executive Officer (since 2014) Year of Birth: 1958	Chairman of OppenheimerFunds, Inc. (since January 2015); CEO and Chairman of OFI Global Asset Management, Inc. (since July 2014), President of OFI Global Asset Management, Inc. (since May 2013), a Director of OFI Global Asset Management, Inc. (since January 2013), Director of OppenheimerFunds, Inc. (since July 2014), President, Management Director and CEO of Oppenheimer Acquisition Corp. (OppenheimerFunds, Inc.'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 (January 2013-December 2013); Executive Vice President of OFI Global Asset Management, Inc. (January 2013-May 2013); Chief Investment Officer of OppenheimerFunds, Inc. (October 2010-December 2012); Chief Investment Officer, Fixed-Income, of OppenheimerFunds, Inc. (April 2009-October 2010); Executive Vice President of OppenheimerFunds, Inc. (October 2009-December 2012); Director of Fixed Income of OppenheimerFunds, Inc. (January 2009-April 2009); and a Senior Vice President of OppenheimerFunds, Inc. (March 1993-September 2009).
OTHER OFFICERS OF THE FUND	*The addresses of the Officers in the chart below are as follows: for Messrs. Ziehl, Vardharaj, Anello, Krantz, Weiner, Mss. Lo Bessette, Budzinski, Ketner, 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.*
Matthew P. Ziehl, Vice President (since 2009) Year of Birth: 1967	Vice President and Senior Portfolio Manager of the Sub-Adviser (since May 2009). Portfolio manager with RS Investment Management Co. LLC (October 2006-May 2009); Managing Director at The Guardian Life Insurance Company (December 2001-October 2006) when Guardian Life Insurance acquired an interest in RS Investment Management Co. LLC. Team leader and co portfolio manager with Salomon Brothers Asset Management, Inc. for small growth portfolios (January 2001-December 2001).
Raman Vardharaj, Vice President (since 2009) Year of Birth: 1971	Vice President and portfolio manager of the Sub-Adviser (since May 2009). Sector manager and a senior quantitative analyst creating stock selection models, monitoring portfolio risks and analyzing portfolio performance across the RS Core Equity Team of RS Investment Management Co. LLC (October 2006-May 2009). Quantitative analyst at The Guardian Life Insurance Company of America (1998-October 2006) when Guardian Life Insurance acquired an interest in RS Investment Management Co. LLC.
Raymond Anello, Vice President (since 2011) Year of Birth: 1964	Vice President of the Sub-Adviser (since May 2009) and a portfolio manager of the Sub-Adviser (since April 2011). Sector manager for energy and utilities for the Sub-Adviser's Main Street Investment Team (since May 2009). Portfolio Manager of the RS All Cap Dividend product (from its inception in July 2007-April 2009) and served as a sector manager for energy and utilities for various other RS Investments products. Guardian Life Insurance Company (October 1999) and transitioned to RS Investments (October 2006) in connection with Guardian Life Insurance Company's acquisition of an interest in RS Investments. Mr. Anello served as an equity portfolio manager/analyst and high yield analyst at Orion Capital (1995-1998) and an assistant portfolio manager at the Garrison Bradford portfolio management firm (1988-1995).
Joy Budzinski, Vice President (since 2012) Year of Birth: 1968	Vice President of the Sub-Adviser (since May 2009) and a portfolio manager of the Sub-Adviser (since November 2012). Sector manager for healthcare for the Sub-Adviser's Main Street Investment Team (since May 2009). Healthcare sector manager at RS Investment and Guardian Life Insurance Company. Guardian Life Insurance Company (August 2006) and transitioned to RS Investments (October 2006) in connection with Guardian Life Insurance Company's acquisition of an interest in RS Investments. Senior equity analyst at Bank of New York BNY Asset Management (2001 -2006); portfolio manager and analyst at Alliance of America (1999-2001); portfolio manager and analyst at JP Morgan Chase (1993-1997); analyst at Prudential Investments (1997-1998).
Kristin Ketner, Vice President (since 2012) Year of Birth: 1965	Vice President of the Sub-Adviser (since June 2009) and a portfolio manager of the Sub-Adviser (since November 2012). Sector manager for consumer discretionary and consumer staples for the Sub-Adviser's Main Street Investment Team (since May 2009). Sector manager at RS Investment and Guardian Life Insurance Company. Guardian Life Insurance Company in February 2006 and transitioned to RS Investments in October 2006 in connection with Guardian Life Insurance Company's acquisition of an interest in RS Investments. Portfolio Manager at Solstice Equity Management (2002-2005); retail analyst at Goldman Sachs (1999-2001); Director of Strategy and Integration at Staples (1997-1999); investment banker at Merrill Lynch (1987-1992 and 1995-1997) and Montgomery Securities (1994-1995).
Magnus Krantz, Vice President (since 2012) Year of Birth: 1967	Vice President of the Sub-Adviser (since May 2009) and a portfolio manager of the Sub-Adviser (since November 2012); sector manager for technology for the Sub-Adviser's Main Street Investment Team (since May 2009). Prior to joining the Sub-Adviser, Mr. Krantz was a sector manager at RS Investment and Guardian Life Insurance Company. Mr. Krantz joined Guardian Life Insurance Company in December 2005 and transitioned to RS Investments in October 2006 in connection with Guardian Life Insurance Company's acquisition of an interest in RS Investments. Portfolio manager and analyst at Citigroup Asset Management (1998-2005) and as a consultant at Price Waterhouse (1997-1998). He also served as product development engineer at Newbridge Networks (1993-1996) and as a software engineer at Mitel Corporation (1990-1993).

Adam Weiner, Vice President (since 2012) Year of Birth: 1969	Vice President of the Sub-Adviser (since May 2009) and a portfolio manager of the Sub-Adviser (since November 2012). Sector manager for industrials and materials for the Sub-Adviser's Main Street Investment Team (since May 2009). Sector manager at RS Investment for industrials and materials (January 2007-April 2009). Director and senior equity analyst at Credit Suisse Asset Management (CSAM) (September 2004-December 2006). Equity analyst at Credit Suisse First Boston 2004-2006 (buy-side) and 1999-2004 (sell-side) and Morgan Stanley (1996-1999); internal auditor at Dun and Bradstreet (1992-1996). Budget analyst, Information Resources Division of the Executive Office of the President (1990-1992).
Cynthia Lo Bessette, Secretary and Chief Legal Officer (since 2016) Year of Birth: 1969	Executive Vice President, General Counsel and Secretary of OFI Global Asset Management, Inc. (since February 2016); Senior Vice President and Deputy General Counsel of OFI Global Asset Management, Inc. (March 2015-February 2016); Chief Legal Officer of OppenheimerFunds, Inc. and OppenheimerFunds Distributor, Inc. (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.
Jennifer Foxson, Vice President and Chief Business Officer (since 2014) Year of Birth: 1969	Senior Vice President of OppenheimerFunds Distributor, Inc. (since June 2014); Vice President of OppenheimerFunds Distributor, Inc. (April 2006-June 2014); Vice President of OppenheimerFunds, Inc. (January 1998-March 2006); Assistant Vice President of OppenheimerFunds, Inc. (October 1991-December 1998).
Mary Ann Picciotto, Chief Compliance Officer and Chief Anti-Money Laundering Officer (since 2014) Year of Birth: 1973	Senior Vice President and Chief Compliance Officer of OFI Global Asset Management, Inc. (since March 2014); Chief Compliance Officer of OppenheimerFunds, Inc., OFI SteelPath, Inc., 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).
Brian S. Petersen, Treasurer and Principal Financial & Accounting Officer (since 2016) Year of Birth: 1970	Senior Vice President of OFI Global Asset Management, Inc. (since January 2017); Vice President of OFI Global Asset Management, Inc. (January 2013-January 2017); Vice President of OppenheimerFunds, Inc. (February 2007-December 2012); Assistant Vice President of OppenheimerFunds, Inc. (August 2002-2007).

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.

OPPENHEIMER MAIN STREET SMALL CAP 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.

OppenheimerFunds®

The Right Way
to Invest

OppenheimerFunds®
The Right Way
to Invest

December 31, 2018

Oppenheimer
Main Street Fund®/VA
A Series of Oppenheimer Variable Account Funds

Annual Report

ANNUAL REPORT

Listing of Top Holdings

Fund Performance Discussion

Financial Statements

PORTFOLIO MANAGERS: Manind Govil, CFA, Benjamin Ram and Paul Larson

AVERAGE ANNUAL TOTAL RETURNS FOR THE PERIODS ENDED 12/31/18

	Inception Date	1-Year	5-Year	10-Year
Non-Service Shares	7/5/95	-7.89%	6.58%	12.17%
Service Shares	7/13/00	-8.10	6.31	11.89
S&P 500 Index		-4.38	8.49	13.12

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.*

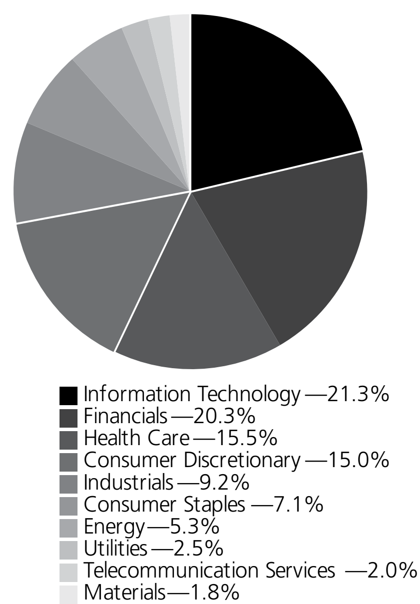
TOP HOLDINGS AND ALLOCATIONS

TOP TEN COMMON STOCK HOLDINGS

Microsoft Corp.	6.3%
JPMorgan Chase & Co.	3.9
Merck & Co., Inc.	3.9
UnitedHealth Group, Inc.	3.6
Amazon.com, Inc.	3.3
Facebook, Inc., Cl. A	3.3
Motorola Solutions, Inc.	2.9
Prologis, Inc.	2.6
Lockheed Martin Corp.	2.4
Apple, Inc.	2.3

Portfolio holdings and allocations are subject to change. Percentages are as of December 31, 2018, and are based on net assets.

SECTOR ALLOCATION



Portfolio holdings and allocations are subject to change. Percentages are as of December 31, 2018, and are based on the total market value of common stocks.

For more current Fund holdings, please visit oppenheimerfunds.com.

Fund Performance Discussion

During a volatile year, the Fund's Non-Service shares produced a return of -7.89%. In comparison, the S&P 500 Index (the "Index") returned -4.38%. On the heels of the largest quarterly return for the S&P 500 Index since 2013, the fourth quarter of 2018 experienced the largest quarterly decline since the fourth quarter of 2008. The Fund's underperformance versus the Index for the one-year period ended December 31, 2018, stemmed largely from stock selection in the Information Technology, Communication Services, Consumer Staples, and Consumer Discretionary sectors. The Fund outperformed the Index in Financials and Materials due to stock selection.

MARKET OVERVIEW

The U.S. economy continues to exhibit good economic growth, low unemployment and modest inflation. This is driven partly by tax cuts, technological innovation and falling regulatory hurdles. That said, the effects of the strain in the trading relationship with China have been a headwind to growth, but not nearly enough to offset the strong momentum in the economy.

This economic growth has been fairly broad-based across sectors. However, the stock price performance has not been as broad-based. Value stocks outperformed growth stocks during the fourth quarter of 2018, snapping a streak of seven consecutive quarters of the Russell 1000 Value Index underperforming the Russell 1000 Growth Index. This was helped by a rotation into defensive stocks and out of some of the high-flying technology names. However, growth stocks still significantly outperformed for the full calendar year.

We continue to focus on the fundamentals of each business to drive our investment decisions versus getting caught up in the temporary emotions of the market, always with the long-term welfare of our shareholders in mind. Our philosophy is to focus on companies we believe have sustainable competitive advantages that can outperform in most market environments. We combine this with our valuation discipline to seek a margin of safety, with downside protection ever an important consideration. That being said, we do have a history of underperforming in go-go markets and outperforming in bear markets.

TOP INDIVIDUAL CONTRIBUTORS

Top contributors to performance this period included Merck & Co., Church & Dwight, and Motorola Solutions.

Merck had some Keytruda (immuno-oncology franchise and largest growth driver) approvals and positive data while their competitors' data didn't match up or failed. Also, pharmaceuticals performed relatively well in general as a more defensive industry during a sharp market selloff.

Church & Dwight, a consumer products company, saw third-quarter sales hold steady on a 1-year basis and accelerated slightly on a 2-year basis. Additionally, the margin outlook improved as pricing trends turned positive for the first time in nine quarters.

Motorola Solutions continued to display strong execution and to benefit from a favorable environment for public-safety spending. The company has recorded record backlogs with improved margins and return on invested capital.

TOP INDIVIDUAL DETRACTORS

Not owning **Amazon**, one of the largest index weights, through the end of April was the biggest relative detractor. We re-initiated a position in the company at the very end of April 2018 after previously selling the stock in early 2017. Other top detractors to relative performance that were owned in the portfolio included **Kraft Heinz** and **DXC**. **Kraft** stepped up reinvestment in 2018 – reinvesting tax reform windfall – which clipped industry-high margins and, although these investments seemingly resulted in the strongest organic sales growth in the company's history in the third quarter, cost pressures took another step up in the order to deliver company record volumes. Shares of DXC declined sharply on a quarterly revenue shortfall. We believe the primary issues driving the revenue shortfall are company specific and self-inflicted and thus should be fixable. The company attributed the shortfall to a re-organization in the sales force that resulted in execution issues and a shortage of skilled labor to meet demand for digital transformation projects, both of which are being addressed.

STRATEGY & OUTLOOK

In the short term, we expect the U.S. economy to continue to show economic growth, albeit at slower rates than experienced in 2018 as the "sugar high" from tax cuts wears off. This will be driven by favorable ongoing consumer confidence, falling regulatory hurdles, as well as technological innovation. The biggest macro risks we see are trade tariffs and higher interest rates.

Speculation remains at an elevated level. Mania around cryptocurrency earlier in the year and cannabis stocks more recently are symptoms of these. We believe an equally big risk to stock prices is the stock market's preference for so called "disruptors" and the potential for stocks with this perceived characteristic to become crowded trades and have valuations untethered to financial reality. While some of the high flyers lost altitude in the fourth quarter as the market corrected, a true capitulation point has not yet been reached.

Regarding trade tariffs, while concern has risen in recent weeks, the market continues to view bluster from D.C. as a negotiating tactic and is implying that all will end well. So far this has been borne out in trade negotiations between the U.S., Mexico and Canada. A true escalation could severely hamper global growth and thereby stock prices. Innovation, while a positive for the overall economy over the long term, creates short-term disruptions of which to be cognizant. Lastly, we are afraid companies have become addicted to low interest rates. If interest rates were to continue to rise materially, some companies' historical decisions will look like a misallocation of capital and negatively impact their stock prices.

We believe a rise in interest rates and other monetary tightening will have profound implications for the equity markets. Due to the 2008 crisis, interest rates were driven to record lows and a flood of liquidity was unleashed. Short-term interest rates were at essentially zero and even longer rates were driven to around 2%. This was not just flash in the pan either, as the rates stayed at these levels for multiple years. When the cost of money became close to zero and its availability abundant, the equity market's horizon became longer for start-ups delivering profits. As a result, we have seen several companies focus on revenue growth through disruption without regard to profit generation.

We are afraid even established companies are addicted to low interest rates which is not sustainable for longer-term profitable growth. Once this corrects, it will be healthy in the longer-term because it will drive companies to generate profits. "Profitable Revenue Growth" is better, tougher and more sustainable than mere "Revenue Growth". Over time, companies that generate such profitable growth are more durable investments with better down-side protection even though they may look a little short in a speculative environment. As a famous investor once said, you don't know who has been swimming naked until the tide rolls out. At the moment, the tide is lower than it was a few months ago, but still relatively high. We know this won't be the situation in perpetuity.

We continue to maintain our discipline around valuation and focus on companies with competitive advantages and skilled management teams that are out-executing peers. Evidence of this in the companies we look for include high returns on invested capital, consistently strong pricing power, and/or rising market shares. During times of economic volatility such companies frequently widen their lead over weaker competitors. We seek to invest in companies characterized by these qualities at compelling valuations and believe this disciplined approach is essential to generating superior long-term performance, especially in down markets.

We fully believe that over a complete market cycle, the value of our strategy will become apparent again.

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.

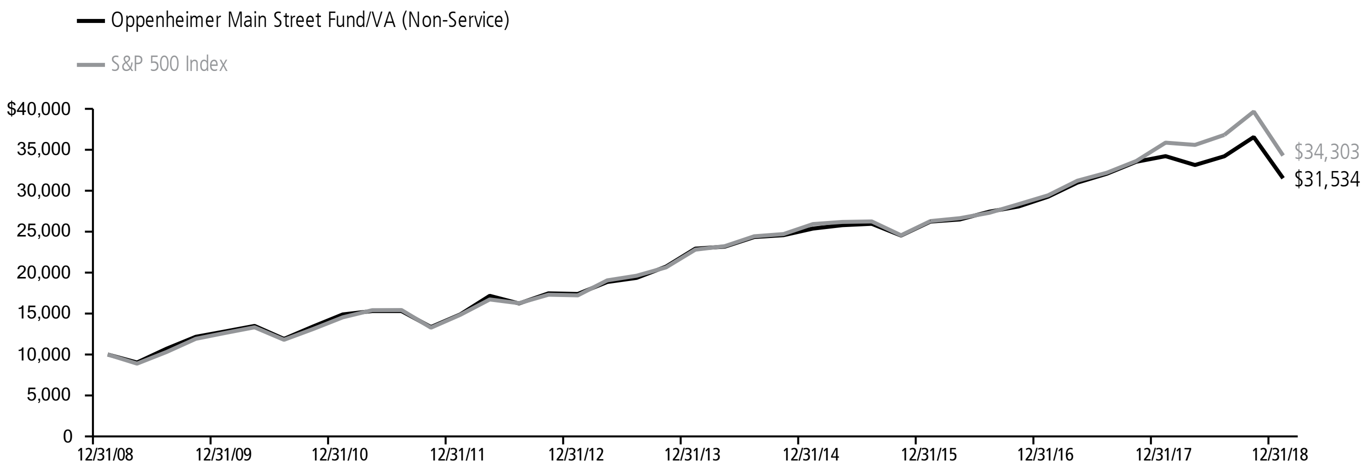
The views in the Fund Performance Discussion represent the opinions of this Fund's portfolio managers and are not intended as investment advice or to predict or depict the performance of any investment. These views are as of the close of business on December 31, 2018, and are subject to change based on subsequent developments. The Fund's portfolio and strategies are subject to change.

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, 2018. 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 S&P 500 Index. The S&P 500 Index is a capitalization-weighted index of 500 stocks intended to be a representative sample of leading companies in leading industries within the U.S. economy. 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.

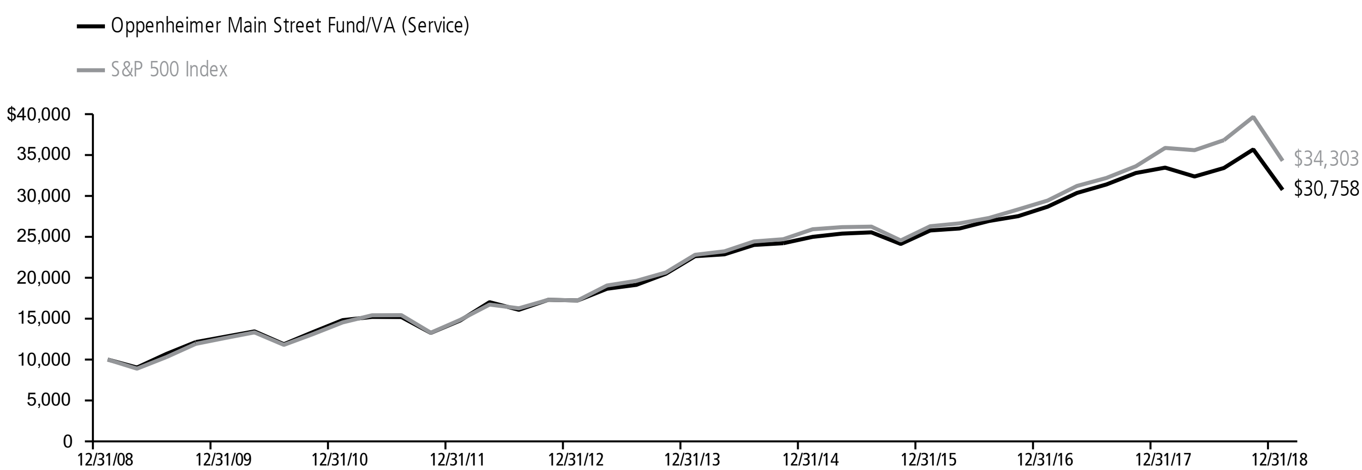
COMPARISON OF CHANGE IN VALUE OF $10,000 HYPOTHETICAL INVESTMENTS IN:



Average Annual Total Returns of Non-Service Shares of the Fund at 12/31/18

1-Year **-7.89%** 5-Year **6.58%** 10-Year **12.17%**

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



Average Annual Total Returns of Service Shares of the Fund at 12/31/18

1-Year **-8.10%** 5-Year **6.31%** 10-Year **11.89%**

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, 2018.

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, 2018" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes.

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

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any charges associated with the separate accounts that offer this Fund. Therefore, the "hypothetical" lines of the table are useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these separate account charges were included your costs would have been higher.

Actual	Beginning Account Value July 1, 2018	Ending Account Value December 31, 2018	Expenses Paid During 6 Months Ended December 31, 2018
Non-Service shares	$ 1,000.00	$ 921.60	$ 3.93
Service shares	1,000.00	920.50	5.15
Hypothetical (5% return before expenses)			
Non-Service shares	1,000.00	1,021.12	4.13
Service shares	1,000.00	1,019.86	5.41

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, 2018 are as follows:

Class	Expense Ratios
Non-Service shares	0.81%
Service shares	1.06

The expense ratios reflect voluntary and/or contractual waivers and/or reimbursements of expenses by the Fund's Manager. Some of these undertakings may be modified or terminated at any time, as indicated in the Fund's prospectus. The "Financial Highlights" tables in the Fund's financial statements, included in this report, also show the gross expense ratios, without such waivers or reimbursements and reduction to custodian expenses, if applicable.

	Shares	Value
Common Stocks—98.5%		
Consumer Discretionary—14.8%		
Hotels, Restaurants & Leisure—1.1%		
Starbucks Corp.	194,600	$ 12,532,240
Interactive Media & Services—3.3%		
Facebook, Inc., Cl. A[1]	278,400	36,495,456
Internet & Catalog Retail—4.3%		
Amazon.com, Inc.[1]	24,390	36,633,048
Booking Holdings, Inc.[1]	6,600	11,367,972
		48,001,020
Specialty Retail—6.1%		
Best Buy Co., Inc.	363,700	19,261,552
Lowe's Cos., Inc.	264,880	24,464,317
O'Reilly Automotive, Inc.[1]	42,076	14,488,029
Ulta Beauty, Inc.[1]	41,930	10,266,141
		68,480,039
Consumer Staples—7.0%		
Beverages—2.5%		
Constellation Brands, Inc., Cl. A	40,790	6,559,848
PepsiCo, Inc.	191,398	21,145,651
		27,705,499
Food Products—1.1%		
Kraft Heinz Co. (The)	282,645	12,165,041
Household Products—1.6%		
Church & Dwight Co., Inc.	270,730	17,803,205
Tobacco—1.8%		
Philip Morris International, Inc.	306,449	20,458,535
Energy—5.2%		
Energy Equipment & Services—1.1%		
Schlumberger Ltd.	331,340	11,954,747
Oil, Gas & Consumable Fuels—4.1%		
Magellan Midstream Partners LP[2]	385,810	22,014,319
Suncor Energy, Inc.	855,920	23,940,082
		45,954,401
Financials—19.9%		
Capital Markets—5.3%		
Bank of New York Mellon Corp. (The)	397,250	18,698,557
CME Group, Inc., Cl. A	52,790	9,930,855
Intercontinental Exchange, Inc.	193,690	14,590,668
S&P Global, Inc.	95,101	16,161,464
		59,381,544
Commercial Banks—6.2%		
JPMorgan Chase & Co.	443,170	43,262,256
SunTrust Banks, Inc.	235,470	11,877,107
Wells Fargo & Co.	311,180	14,339,174
		69,478,537
Diversified Financial Services—4.0%		
AXA Equitable Holdings, Inc.	1,186,006	19,723,280
Berkshire Hathaway, Inc., Cl. B[1]	124,590	25,438,786
		45,162,066
Insurance—1.8%		
Marsh & McLennan Cos., Inc.	90,370	7,207,008
Progressive Corp. (The)	216,270	13,047,569
		20,254,577
Real Estate Investment Trusts (REITs)—2.6%		
Prologis, Inc.	484,873	28,471,742
Health Care—15.3%		
Biotechnology—1.6%		
Celgene Corp.[1]	67,190	4,306,207
Gilead Sciences, Inc.	210,200	13,148,010
		17,454,217

	Shares	Value
Health Care Equipment & Supplies—2.5%		
Align Technology, Inc.[1]	20,370	$ 4,266,089
Boston Scientific Corp.[1]	387,340	13,688,595
Zimmer Biomet Holdings, Inc.	101,130	10,489,204
		28,443,888
Health Care Providers & Services—4.4%		
DaVita, Inc.[1]	96,204	4,950,658
Laboratory Corp. of America Holdings[1]	36,170	4,570,441
UnitedHealth Group, Inc.	159,630	39,767,026
		49,288,125
Health Care Technology—0.7%		
Cerner Corp.[1]	145,650	7,637,886
Life Sciences Tools & Services—1.9%		
Agilent Technologies, Inc.	318,050	21,455,653
Pharmaceuticals—4.2%		
AstraZeneca plc, Sponsored ADR	88,740	3,370,345
Merck & Co., Inc.	565,890	43,239,655
		46,610,000
Industrials—9.0%		
Aerospace & Defense—2.4%		
Lockheed Martin Corp.	101,940	26,691,970
Commercial Services & Supplies—1.2%		
Republic Services, Inc., Cl. A	184,850	13,325,837
Machinery—1.4%		
Illinois Tool Works, Inc.	126,960	16,084,562
Professional Services—0.6%		
Nielsen Holdings plc	266,990	6,228,877
Road & Rail—2.1%		
Union Pacific Corp.	168,210	23,251,668
Trading Companies & Distributors—1.3%		
Fastenal Co.	288,400	15,080,436
Information Technology—21.0%		
Communications Equipment—2.9%		
Motorola Solutions, Inc.	277,070	31,874,133
IT Services—5.4%		
Amdocs Ltd.	349,890	20,496,556
DXC Technology Co.	278,990	14,833,898
First Data Corp., Cl. A[1]	758,030	12,818,287
Visa, Inc., Cl. A	92,560	12,212,367
		60,361,108
Semiconductors & Semiconductor Equipment—2.1%		
Applied Materials, Inc.	423,910	13,878,813
Texas Instruments, Inc.	102,490	9,685,305
		23,564,118
Software—7.0%		
Microsoft Corp.	689,950	70,078,221
ServiceNow, Inc.[1]	46,080	8,204,544
		78,282,765
Technology Hardware, Storage & Peripherals—3.6%		
Apple, Inc.	165,326	26,078,523
NetApp, Inc.	149,930	8,946,323
Western Digital Corp.	139,125	5,143,452
		40,168,298
Materials—1.8%		
Chemicals—1.8%		
Ecolab, Inc.	97,410	14,353,364
PPG Industries, Inc.	50,870	5,200,440
		19,553,804
Telecommunication Services—2.0%		
Diversified Telecommunication Services—2.0%		
Verizon Communications, Inc.	391,725	22,022,780

	Shares	Value
Utilities—2.5%		
Electric Utilities—1.5%		
Duke Energy Corp.	196,900	$ 16,992,470
Multi-Utilities—1.0%		
National Grid plc	1,120,080	10,831,807
Total Common Stocks (Cost $1,007,072,194)		1,099,503,051

	Shares	Value
Investment Company—2.4%		
Oppenheimer Institutional Government Money Market Fund, Cl. E, 2.35%[3,4] (Cost $26,902,751)	26,902,751	$ 26,902,751
Total Investments, at Value (Cost $1,033,974,945)	100.9%	1,126,405,802
Net Other Assets (Liabilities)	(0.9)	(9,778,266)
Net Assets	**100.0%**	**$ 1,116,627,536**

Footnotes to Statement of Investments

1. Non-income producing security.

2. Security is a Master Limited Partnership.

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

4. 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, 2017	Gross Additions	Gross Reductions	Shares December 31, 2018
Investment Company				
Oppenheimer Institutional Government Money Market Fund, Cl. E	19,085,774	325,607,323	317,790,346	26,902,751

	Value	Income	Realized Gain (Loss)	Change in Unrealized Gain (Loss)
Investment Company				
Oppenheimer Institutional Government Money Market Fund, Cl. E	$ 26,902,751	$ 330,605	$ —	$ —

See accompanying Notes to Financial Statements.

STATEMENT OF ASSETS AND LIABILITIES December 31, 2018

Assets		
Investments, at value—see accompanying statement of investments:		
Unaffiliated companies (cost $1,007,072,194)	$	1,099,503,051
Affiliated companies (cost $26,902,751)		26,902,751
		1,126,405,802
Cash		750,000
Receivables and other assets:		
Dividends		2,093,739
Shares of beneficial interest sold		1,029,035
Other		152,993
Total assets		1,130,431,569
Liabilities		
Payables and other liabilities:		
Investments purchased		11,908,490
Shares of beneficial interest redeemed		1,552,540
Distribution and service plan fees		139,246
Trustees' compensation		135,396
Shareholder communications		31,688
Other		36,673
Total liabilities		13,804,033
Net Assets	**$**	**1,116,627,536**
Composition of Net Assets		
Par value of shares of beneficial interest	$	41,910
Additional paid-in capital		812,993,122
Total distributable earnings		303,592,504
Net Assets	**$**	**1,116,627,536**
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 $485,229,394 and 18,095,402 shares of beneficial interest outstanding)		$26.82
Service Shares:		
Net asset value, redemption price per share and offering price per share (based on net assets of $631,398,142 and 23,814,925 shares of beneficial interest outstanding)		$26.51

See accompanying Notes to Financial Statements.

STATEMENT OF OPERATIONS For the Year Ended December 31, 2018

Investment Income	
Dividends:	
Unaffiliated companies (net of foreign withholding taxes of $147,105)	$ 23,160,343
Affiliated companies	330,605
Interest	2,341
Total investment income	23,493,289
Expenses	
Management fees	8,493,002
Distribution and service plan fees — Service shares	1,853,682
Transfer and shareholder servicing agent fees:	
Non-Service shares	652,233
Service shares	889,767
Shareholder communications:	
Non-Service shares	44,768
Service shares	60,611
Borrowing fees	41,605
Trustees' compensation	41,096
Custodian fees and expenses	8,218
Other	83,059
Total expenses	12,168,041
Less reduction to custodian expenses	(380)
Less waivers and reimbursements of expenses	(17,859)
Net expenses	12,149,802
Net Investment Income	11,343,487
Realized and Unrealized Gain (Loss)	
Net realized gain (loss) on:	
Investment transactions in unaffiliated companies	222,507,418
Foreign currency transactions	(41,761)
Net realized gain	222,465,657
Net change in unrealized appreciation/(depreciation) on:	
Investment transactions in unaffiliated companies	(328,734,304)
Translation of assets and liabilities denominated in foreign currencies	(1,941)
Net change in unrealized appreciation/(depreciation)	(328,736,245)
Net Decrease in Net Assets Resulting from Operations	**$ (94,927,101)**

See accompanying Notes to Financial Statements.

STATEMENTS OF CHANGES IN NET ASSETS

	Year Ended December 31, 2018	Year Ended December 31, 2017[1]
Operations		
Net investment income	$ 11,343,487	$ 12,822,734
Net realized gain	222,465,657	121,840,022
Net change in unrealized appreciation/(depreciation)	(328,736,245)	68,971,875
Net increase (decrease) in net assets resulting from operations	(94,927,101)	203,634,631
Dividends and/or Distributions to Shareholders		
Dividends and distributions declared:		
Non-Service shares	(53,341,045)	(15,660,180)
Service shares	(71,631,264)	(21,519,046)
Total dividends and distributions declared	(124,972,309)	(37,179,226)
Beneficial Interest Transactions		
Net increase (decrease) in net assets resulting from beneficial interest transactions:		
Non-Service shares	17,298,831	9,551,567
Service shares	(27,705,526)	(86,863,753)
Total beneficial interest transactions	(10,406,695)	(77,312,186)
Net Assets		
Total increase (decrease)	(230,306,105)	89,143,219
Beginning of period	1,346,933,641	1,257,790,422
End of period	**$ 1,116,627,536**	**$ 1,346,933,641**

1. Prior period amounts have been conformed to current year presentation. See Notes to Financial Statements, Note 2 – New Accounting Pronouncements for further details.

See accompanying Notes to Financial Statements.

Non-Service Shares	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Per Share Operating Data					
Net asset value, beginning of period	$32.25	$28.41	$29.24	$33.61	$31.24
Income (loss) from investment operations:					
Net investment income[1]	0.32	0.34	0.33	0.33	0.28
Net realized and unrealized gain (loss)	(2.55)	4.41	2.76	0.80	3.01
Total from investment operations	(2.23)	4.75	3.09	1.13	3.29
Dividends and/or distributions to shareholders:					
Dividends from net investment income	(0.38)	(0.39)	(0.34)	(0.32)	(0.27)
Distributions from net realized gain	(2.82)	(0.52)	(3.58)	(5.18)	(0.65)
Total dividends and/or distributions to shareholders	(3.20)	(0.91)	(3.92)	(5.50)	(0.92)
Net asset value, end of period	**$26.82**	**$32.25**	**$28.41**	**$29.24**	**$33.61**
Total Return, at Net Asset Value[2]	(7.89)%	16.91%	11.62%	3.33%	10.70%
Ratios/Supplemental Data					
Net assets, end of period (in thousands)	$485,230	$561,555	$485,196	$518,456	$559,933
Average net assets (in thousands)	$543,152	$535,770	$502,522	$541,020	$554,449
Ratios to average net assets:[3]					
Net investment income	1.03%	1.12%	1.16%	1.05%	0.86%
Expenses excluding specific expenses listed below	0.80%	0.78%	0.79%	0.78%	0.77%
Interest and fees from borrowings	0.00%[4]	0.00%[4]	0.00%[4]	0.00%[4]	0.00%
Total expenses[5]	0.80%	0.78%	0.79%	0.78%	0.77%
Expenses after payments, waivers and/or reimbursements and reduction to custodian expenses	0.80%[6]	0.78%[6]	0.79%[6]	0.78%[6]	0.77%[6]
Portfolio turnover rate	65%	35%	33%	44%	43%

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. Less than 0.005%.
5. Total expenses including indirect expenses from affiliated fund fees and expenses were as follows:

Year Ended December 31, 2018	0.80%
Year Ended December 31, 2017	0.78%
Year Ended December 31, 2016	0.79%
Year Ended December 31, 2015	0.78%
Year Ended December 31, 2014	0.77%

6. Waiver was less than 0.005%.

See accompanying Notes to Financial Statements.

Service Shares	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Per Share Operating Data					
Net asset value, beginning of period	$31.91	$28.12	$28.98	$33.33	$30.99
Income (loss) from investment operations:					
Net investment income[1]	0.24	0.26	0.26	0.25	0.19
Net realized and unrealized gain (loss)	(2.53)	4.37	2.72	0.80	2.99
Total from investment operations	(2.29)	4.63	2.98	1.05	3.18
Dividends and/or distributions to shareholders:					
Dividends from net investment income	(0.29)	(0.32)	(0.26)	(0.22)	(0.19)
Distributions from net realized gain	(2.82)	(0.52)	(3.58)	(5.18)	(0.65)
Total dividends and/or distributions to shareholders	(3.11)	(0.84)	(3.84)	(5.40)	(0.84)
Net asset value, end of period	**$26.51**	**$31.91**	**$28.12**	**$28.98**	**$33.33**
Total Return, at Net Asset Value[2]	(8.10)%	16.63%	11.30%	3.11%	10.40%
Ratios/Supplemental Data					
Net assets, end of period (in thousands)	$631,398	$785,379	$772,594	$715,328	$806,023
Average net assets (in thousands)	$740,691	$788,342	$725,836	$757,218	$856,467
Ratios to average net assets:[3]					
Net investment income	0.78%	0.87%	0.94%	0.80%	0.61%
Expenses excluding specific expenses listed below	1.05%	1.03%	1.04%	1.03%	1.02%
Interest and fees from borrowings	0.00%[4]	0.00%[4]	0.00%[4]	0.00%[4]	0.00%
Total expenses[5]	1.05%	1.03%	1.04%	1.03%	1.02%
Expenses after payments, waivers and/or reimbursements and reduction to custodian expenses	1.05%[6]	1.03%[6]	1.04%[6]	1.03%[6]	1.02%[6]
Portfolio turnover rate	65%	35%	33%	44%	43%

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. Less than 0.005%.

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

Year Ended December 31, 2018	1.05%
Year Ended December 31, 2017	1.03%
Year Ended December 31, 2016	1.04%
Year Ended December 31, 2015	1.03%
Year Ended December 31, 2014	1.02%

6. Waiver was less than 0.005%.

See accompanying Notes to Financial Statements.

1. Organization

Oppenheimer Main Street 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 investment objective is to seek capital appreciation. The Fund's investment adviser is OFI Global Asset Management, Inc. ("OFI Global" or the "Manager"), a wholly-owned subsidiary of OppenheimerFunds, Inc. ("OFI" or the "Sub-Adviser"). The Manager has entered into a sub-advisory agreement with OFI.

Shares of the Fund are sold only to separate accounts of life insurance companies.

The Fund offers two classes of shares. Both classes are sold at their offering price, which is the net asset value per share, to separate investment accounts of participating insurance companies as an underlying investment for variable life insurance policies, variable annuity contracts or other investment products. The class of shares designated as Service shares is subject to a distribution and service plan. Both classes of shares have identical rights and voting privileges with respect to the Fund in general and exclusive voting rights on matters that affect that class alone. Earnings, net assets and net asset value per share may differ due to each class having its own expenses, such as transfer and shareholder servicing agent fees and shareholder communications, directly attributable to that class.

The following is a summary of significant accounting policies followed in the Fund's preparation of financial statements in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

2. Significant Accounting Policies

Security Valuation. All investments in securities are recorded at their estimated fair value, as described in Note 3.

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 Statement of Operations.

For securities, which are subject to foreign withholding tax upon disposition, realized and unrealized 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 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 Statement of Operations, are amortized or accreted daily.

Return of Capital Estimates. Distributions received from the Fund's investments in Master Limited Partnerships (MLPs) and Real Estate Investments Trusts (REITs), generally are comprised of income and return of capital. Any return of capital estimates in excess of cost basis are classified as realized gain. The Fund records investment income and return of capital based on estimates. Such estimates are based on historical information available from each MLP, REIT and other industry sources. These estimates may subsequently be revised based on information received from MLPs and REITs after their tax reporting periods are concluded.

Custodian Fees. "Custodian fees and expenses" in the Statement of Operations may include interest expense incurred by the Fund on any cash overdrafts of its custodian account during the period. Such cash overdrafts may result from the effects of failed trades in portfolio securities and from cash outflows resulting from unanticipated shareholder redemption activity. The Fund pays interest to its custodian on such cash overdrafts, to the extent they are not offset by positive cash balances maintained by the Fund, at a rate equal to the Federal Funds Rate plus 2.00%. The "Reduction to custodian

2. Significant Accounting Policies (Continued)

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, 2018, including open tax years, and does not believe there are any uncertain tax positions requiring recognition in the Fund's financial statements.

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]	Net Unrealized Appreciation Based on cost of Securities and Other Investments for Federal Income Tax Purposes
$15,018,484	$197,609,369	$—	$91,100,040

1. During the reporting period, the Fund utilized $16,688 of capital loss carryforward to offset capital gains realized in that fiscal year.
2. During the previous reporting period, the Fund did not utilize any capital loss carryforward.

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	Reduction to Accumulated Net Earnings[3]
$20,665,886	$20,665,886

3. $20,671,701 including $20,284,566 of long-term capital gain, was distributed in connection with Fund share redemptions.

The tax character of distributions paid during the reporting periods:

	Year Ended December 31, 2018	Year Ended December 31, 2017
Distributions paid from:		
Ordinary income	$ 27,663,938	$ 14,838,310
Long-term capital gain	97,308,371	22,340,916
Total	**$ 124,972,309**	**$ 37,179,226**

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.

2. Significant Accounting Policies (Continued)

Federal tax cost of securities	**$ 1,035,299,452**
Gross unrealized appreciation	$ 180,226,403
Gross unrealized depreciation	(89,126,363)
Net unrealized appreciation	**$ 91,100,040**

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.

New Accounting Pronouncements. In March 2017, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU"), ASU 2017-08. This provides guidance related to the amortization period for certain purchased callable debt securities held at a premium. The ASU is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods. The Manager has evaluated the impacts of these changes on the financial statements and there are no material impacts.

During August 2018, the Securities and Exchange Commission (the "SEC") issued Final Rule Release No. 33-10532 (the "Rule"), Disclosure Update and Simplification. The rule amends certain financial statement disclosure requirements to conform to U.S. GAAP. The amendments to Rule 6-04.17 of Regulation S-X (balance sheet) remove the requirement to separately state the book basis components of net assets: undistributed (over-distribution of) net investment income ("UNII"), accumulated undistributed net realized gains (losses), and net unrealized appreciation (depreciation) at the balance sheet date. Instead, consistent with U.S. GAAP, funds will be required to disclose total distributable earnings. The amendments to Rule 6-09 of Regulation S-X (statement of changes in net assets) remove the requirement to separately state the sources of distributions paid. Instead, consistent with U.S. GAAP, funds will be required to disclose the total amount of distributions paid, except that any tax return of capital must be separately disclosed. The amendments also remove the requirement to parenthetically state the book basis amount of UNII on the statement of changes in net assets. The requirements of the Rule are effective November 5, 2018, and the Funds' Statement of Assets and Liabilities and Statement of Changes in Net Assets for the current reporting period have been modified accordingly. In addition, certain amounts within each Fund's Statement of Changes in Net Assets for the prior fiscal period have been modified to conform to the Rule.

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" or "NYSE") 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.

<u>Valuation Methods and Inputs</u>

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.

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.

3. Securities Valuation (Continued)

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 Statement of Assets and Liabilities at period end based on valuation input level:

	Level 1—Unadjusted Quoted Prices	Level 2—Other Significant Observable Inputs	Level 3—Significant Unobservable Inputs	Value
Assets Table				
Investments, at Value:				
Common Stocks				
Consumer Discretionary	$ 165,508,755	$ —	$ —	$ 165,508,755
Consumer Staples	78,132,280	—	—	78,132,280
Energy	57,909,148	—	—	57,909,148
Financials	222,748,466	—	—	222,748,466
Health Care	170,889,769	—	—	170,889,769
Industrials	100,663,350	—	—	100,663,350
Information Technology	234,250,422	—	—	234,250,422
Materials	19,553,804	—	—	19,553,804
Telecommunication Services	22,022,780	—	—	22,022,780
Utilities	16,992,470	10,831,807	—	27,824,277
Investment Company	26,902,751	—	—	26,902,751
Total Assets	**$ 1,115,573,995**	**$ 10,831,807**	**$ —**	**$ 1,126,405,802**

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.

For the reporting period, there were no transfers between levels.

4. Investments and Risks

Investments in Affiliated Funds. The Fund is permitted to invest in other mutual funds advised by the Manager ("Affiliated Funds"). Affiliated Funds are management investment companies registered under the 1940 Act, as amended. The Manager is the investment adviser of, and the Sub-Adviser provides investment and related advisory services to, the Affiliated Funds. When applicable, the Fund's investments in Affiliated Funds are included in the Statement of Investments. Shares of Affiliated Funds are valued at their net asset value per share. As a shareholder, the Fund is subject to its proportional share of the Affiliated Funds' expenses, including their management fee. The Manager will waive fees and/or reimburse Fund expenses in an amount equal to the indirect management fees incurred through the Fund's investment in the Affiliated Funds.

Each of the Affiliated Funds in which the Fund invests has its own investment risks, and those risks can affect the value of the Fund's investments and therefore the value of the Fund's shares. To the extent that the Fund invests more of its assets in one Affiliated Fund than in another, the Fund will have greater exposure to the risks of that Affiliated Fund.

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 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.

Master Limited Partnerships ("MLPs"). MLPs issue common units that represent an equity ownership interest in a partnership and provide limited voting rights. MLP common units are registered with the Securities and Exchange Commission ("SEC"), and are freely tradable on securities exchanges such as the NYSE and the NASDAQ Stock Market ("NASDAQ"), or in the over-the-counter ("OTC") market. An MLP consists of one or more general

4. Investments and Risks (Continued)
partners, who conduct the business, and one or more limited partners, who contribute capital. MLP common unit holders have a limited role in the partnership's operations and management. The Fund, as a limited partner, normally would not be liable for the debts of the MLP beyond the amounts the Fund has contributed, but would not be shielded to the same extent that a shareholder of a corporation would be. In certain circumstances creditors of an MLP would have the right to seek return of capital distributed to a limited partner. This right of an MLP's creditors would continue after the Fund sold its investment in the MLP.

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.

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

5. Market Risk Factors
The Fund's investments in securities and/or financial derivatives may expose the Fund to various market risk factors:

Commodity Risk. Commodity risk relates to the change in value of commodities or commodity indexes as they relate to increases or decreases in the commodities market. Commodities are physical assets that have tangible properties. Examples of these types of assets are crude oil, heating oil, metals, livestock, and agricultural products.

Credit Risk. Credit risk relates to the ability of the issuer of debt to meet interest and principal payments, or both, as they come due. In general, lower-grade, higher-yield debt securities are subject to credit risk to a greater extent than lower-yield, higher-quality securities.

Equity Risk. Equity risk relates to the change in value of equity securities as they relate to increases or decreases in the general market.

Foreign Exchange Rate Risk. Foreign exchange rate risk relates to the change in the U.S. dollar value of a security held that is denominated in a foreign currency. The U.S. dollar value of a foreign currency denominated security will decrease as the dollar appreciates against the currency, while the U.S. dollar value will increase as the dollar depreciates against the currency.

Interest Rate Risk. Interest rate risk refers to the fluctuations in value of fixed-income securities resulting from the inverse relationship between price and yield. For example, an increase in general interest rates will tend to reduce the market value of already issued fixed-income investments, and a decline in general interest rates will tend to increase their value. In addition, debt securities with longer maturities, which tend to have higher yields, are subject to potentially greater fluctuations in value from changes in interest rates than obligations with shorter maturities.

Volatility Risk. Volatility risk refers to the magnitude of the movement, but not the direction of the movement, in a financial instrument's price over a defined time period. Large increases or decreases in a financial instrument's price over a relative time period typically indicate greater volatility risk, while small increases or decreases in its price typically indicate lower volatility risk.

6. Shares of Beneficial Interest
The Fund has authorized an unlimited number of $0.001 par value shares of beneficial interest of each class. Transactions in shares of beneficial interest were as follows:

	Year Ended December 31, 2018			Year Ended December 31, 2017		
	Shares		Amount	Shares		Amount
Non-Service Shares						
Sold	1,272,402	$	37,785,582	2,189,995	$	66,648,162
Dividends and/or distributions reinvested	1,802,062		53,341,045	515,816		15,660,180
Acquisition—Note 10	—		—	14,913		454,099
Redeemed	(2,391,616)		(73,827,796)	(2,388,470)		(73,210,874)
Net increase	**682,848**	**$**	**17,298,831**	**332,254**	**$**	**9,551,567**
Service Shares						
Sold	2,634,038	$	78,888,308	1,395,024	$	42,024,615
Dividends and/or distributions reinvested	2,444,753		71,631,264	715,394		21,519,046
Acquisition—Note 10	—		—	244,900		7,376,390
Redeemed	(5,873,057)		(178,225,098)	(5,216,278)		(157,783,804)
Net decrease	**(794,266)**	**$**	**(27,705,526)**	**(2,860,960)**	**$**	**(86,863,753)**

7. Purchases and Sales of Securities

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

	Purchases	Sales
Investment securities	$821,821,231	$940,074,382

8. Fees and Other Transactions with Affiliates

Management Fees. Under the investment advisory agreement, the Fund pays the Manager a management fee based on the daily net assets of the Fund at an annual rate as shown in the following table:

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	0.58
Over $5 billion	0.56

The Fund's effective management fee for the reporting period was 0.66% of average annual net assets before any applicable waivers.

Sub-Adviser Fees. The Manager has retained the Sub-Adviser to provide the day-to-day portfolio management of the Fund. Under the Sub-Advisory Agreement, the Manager pays the Sub-Adviser an annual fee in monthly installments, equal to a percentage of the investment management fee collected by the Manager from the Fund, which shall be calculated after any investment management fee waivers. The fee paid to the Sub-Adviser is paid by the Manager, not by the Fund.

Transfer Agent Fees. OFI Global (the "Transfer Agent") serves as the transfer and shareholder servicing agent for the Fund. The Fund pays the Transfer Agent a fee based on annual net assets. Fees incurred and average net assets for each class with respect to these services are detailed in the Statement of Operations and Financial Highlights, respectively.

Sub-Transfer Agent Fees. The Transfer Agent has retained Shareholder Services, Inc., a wholly-owned subsidiary of OFI (the "Sub-Transfer Agent"), to provide the day-to-day transfer agent and shareholder servicing of the Fund. Under the Sub-Transfer Agency Agreement, the Transfer Agent pays the Sub-Transfer Agent an annual fee in monthly installments, equal to a percentage of the transfer agent fee collected by the Transfer Agent from the Fund, which shall be calculated after any applicable fee waivers. The fee paid to the Sub-Transfer Agent is paid by the Transfer Agent, not by the Fund.

Trustees' Compensation. The Fund's Board of Trustees ("Board") has adopted a compensation deferral plan for Independent Trustees that enables Trustees to elect to defer receipt of all or a portion of the annual compensation they are entitled to receive from the Fund. For purposes of determining the amount owed to the Trustees under the plan, deferred amounts are treated as though equal dollar amounts had been invested in shares of the Fund or in other Oppenheimer funds selected by the Trustees. The Fund purchases shares of the funds selected for deferral by the Trustees in amounts equal to his or her deemed investment, resulting in a Fund asset equal to the deferred compensation liability. Such assets are included as a component of "Other" within the asset section of the Statement of Assets and Liabilities. Deferral of Trustees' fees under the plan will not affect the net assets of the Fund and will not materially affect the Fund's assets, liabilities or net investment income per share. Amounts will be deferred until distributed in accordance with the compensation deferral plan.

Distribution and Service Plan for Service Shares. The Fund has adopted a Distribution and Service Plan (the "Plan") pursuant to Rule 12b-1 under the 1940 Act for Service shares to pay OppenheimerFunds Distributor, Inc. (the "Distributor"), for distribution related services, personal service and account maintenance for the Fund's Service shares. Under the Plan, payments are made periodically at an annual rate of 0.25% of the daily net assets of Service shares of the Fund. The Distributor currently uses all of those fees to compensate sponsors of the insurance product that offers Fund shares, for providing personal service and maintenance of accounts of their variable contract owners that hold Service shares. These fees are paid out of the Fund's assets on an on-going basis and increase operating expenses of the Service shares, which results in lower performance compared to the Fund's shares that are not subject to a service fee. Fees incurred by the Fund under the Plan are detailed in the Statement of Operations.

Waivers and Reimbursements of Expenses. The Manager will waive fees and/or reimburse Fund expenses in an amount equal to the indirect management fees incurred through the Fund's investment in IGMMF. During the reporting period, the Manager waived fees and/or reimbursed the Fund $17,859 for IGMMF management fees.

9. Borrowings and Other Financing

Joint Credit Facility. A number of mutual funds managed by the Manager participate in a $1.95 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

9. Borrowings and Other Financing (Continued)
the Facility are paid by the participating funds and are disclosed separately or as other expenses on the Statement of Operations. The Fund did not utilize the Facility during the reporting period.

10. Acquisition of Oppenheimer Equity Income Fund/VA

On May 1, 2017, the Fund acquired all of the net assets of Oppenheimer Equity Income Fund/VA, pursuant to an Agreement and Plan of Reorganization approved by the Fund's Board. The exchange qualified as a tax-free reorganization for federal income tax purposes. The purpose of this acquisition is to combine two funds with similar investment objectives, strategies and risks to allow shareholders to benefit from greater asset growth potential, as well as lowered total expenses.

Details of the merger are shown in the following table:

	Exchange Ratio to One Share of the Oppenheimer Equity Income Fund/VA	Shares of Beneficial Interest Issued by the Fund	Value of Issued Shares of Beneficial Interest	Combined Net Assets on May 1, 2017[1]
Non-Service shares	0.347188309	14,913	$ 454,099	$ 522,307,311
Service shares	0.430279316	244,900	7,376,390	789,160,812

1. The net assets acquired included net unrealized appreciation of $1,182,786 and an unused capital loss carryforward of $126,540, potential utilization subject to tax limitations.

Had the merger occurred at the beginning of the reporting period, the Fund's pro forma Statement of Operations would have been as follows (Unaudited):

Net investment income	$ 12,883,960
Net gain on investments	190,984,944
Net increase in net assets resulting from operations	203,868,904

For financial reporting purposes, assets received and shares issued by the Fund were recorded at fair value; however, the tax cost basis of the investments received from Oppenheimer Equity Income Fund/VA were carried forward to align ongoing reporting of the Fund's realized and unrealized gains and losses with amounts distributable to shareholders for tax purposes.

Because the combined investment portfolios have been managed as a single integrated portfolio since the acquisition was completed, it is not practicable to separate the amounts of revenue and earnings of Oppenheimer Equity Income Fund/VA that have been included in the Fund's Statement of Operations since May 1, 2017.

11. Pending Acquisition

On October 18, 2018, Massachusetts Mutual Life Insurance Company, an indirect corporate parent of the Sub-Adviser and the Manager, announced that it has entered into an agreement whereby Invesco Ltd. ("Invesco"), a global investment management company, will acquire the Sub-Adviser (the "Transaction"). In connection with the Transaction, on January 11, 2019, the Fund's Board unanimously approved an Agreement and Plan of Reorganization (the "Agreement"), which provides for the transfer of the assets and liabilities of the Fund to a corresponding, newly formed fund (the "Acquiring Fund") in the Invesco family of funds (the "Reorganization") in exchange for shares of the corresponding Acquiring Fund of equal value to the value of the shares of the Fund as of the close of business on the closing date. Although the Acquiring Fund will be managed by Invesco Advisers, Inc., the Acquiring Fund will, as of the closing date, have the same investment objective and substantially similar principal investment strategies and risks as the Fund. After the Reorganization, Invesco Advisers, Inc. will be the investment adviser to the Acquiring Fund, and the Fund will be liquidated and dissolved under applicable law and terminate its registration under the Investment Company Act of 1940, as amended. The Reorganization is expected to be a tax-free reorganization for U.S. federal income tax purposes.

The Reorganization is subject to the approval of shareholders of the Fund. Shareholders of record of the Fund on January 14, 2019 will be entitled to vote on the Reorganization and will receive a combined prospectus and proxy statement describing the Reorganization, the shareholder meeting, and a discussion of the factors the Fund's Board considered in approving the Agreement. The combined prospectus and proxy statement is expected to be distributed to shareholders of record on or about February 28, 2019. The anticipated date of the shareholder meeting is on or about April 12, 2019.

If shareholders approve the Agreement and certain other closing conditions are satisfied or waived, the Reorganization is expected to close during the second quarter of 2019, or as soon as practicable thereafter. This is subject to change.

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 statement of assets and liabilities of Oppenheimer Main Street Fund/VA, a separate series of Oppenheimer Variable Account Funds, (the "Fund"), including the statement of investments, as of December 31, 2018, the related statement of operations for the year then ended, the statements of changes in net assets for each of the years in the two year period then ended, and the related notes (collectively, the "financial statements") and the financial highlights for each of the years in the five year period then ended. 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, 2018, the results of its operations for the year then ended, the changes in its net assets for each of the years in the two year period then ended, and the 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 financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. We 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. 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. Such procedures also included confirmation of securities owned as of December 31, 2018, 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 financial statements and 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 14, 2019

FEDERAL INCOME TAX INFORMATION Unaudited

In early 2019, if applicable, shareholders of record received information regarding all dividends and distributions paid to them by the Fund during calendar year 2018.

Capital gain distributions of $2.4517 per share were paid to Non-Service and Service shareholders, respectively, on June 19, 2018. Whether received in stock or in cash, the capital gain distribution should be treated by shareholders as a gain from the sale of the capital assets held for more than one year (long-term capital gains).

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 100% to arrive at the amount eligible for the corporate dividend-received deduction.

Dividends, if any, paid by the Fund during the reporting period which are not designated as capital gain distributions, may be eligible for lower individual income tax rates to the extent that the Fund has received qualified dividend income as stipulated by recent tax legislation. In early 2019, shareholders of record received information regarding the percentage of distributions that are eligible for lower individual income tax rates. The amount will be the maximum amount allowed.

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 Sub-Adviser's portfolio managers and 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 Manind ("Mani") Govil, Benjamin Ram and Paul Larson, 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 benchmarks or market indices and to the performance of other large blend funds underlying variable insurance products. The Board considered that the Fund outperformed its category median during the three- and ten-year periods, though it underperformed its category median during the remaining periods. The Board also considered that the Fund ranked in the 4th and 34th percentiles of its category for the 2015 and 2016 calendar years, respectively, and that underperformance during 2017 affected the Fund's performance record. In this regard, the Board noted that, when it reviewed the Fund's performance and considered renewing the Agreements during the prior year, the Fund had outperformed its category median for all periods.

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 large blend funds 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). The Board considered that the Fund's total expenses were higher than its peer group median and category median. The Board also considered that the Fund's contractual management fee was lower than its category median and equal to its peer group median. The Board further considered that the Adviser has 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.

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 and research provided to the Adviser in connection with permissible brokerage arrangements (soft dollar arrangements).

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, 2019. 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.

Name, Position(s) Held with the Fund, Length of Service, Year of Birth	Principal Occupation(s) During the Past 5 Years; Other Trusteeships/Directorships Held; Number of Portfolios in the Fund Complex Currently Overseen
INDEPENDENT TRUSTEES	*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. Each of the Trustees in the chart below oversees 58 portfolios in the OppenheimerFunds complex.*
Robert J. Malone, Chairman of the Board of Trustees (since 2016), Trustee (since 2002) Year of Birth: 1944	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. 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 Board's deliberations.
Andrew J. Donohue, Trustee (since 2017) Year of Birth: 1950	Director, Mutual Fund Directors Forum (since February 2018); 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). 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 Board's 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). 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 Board's 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 of the Board (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). 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 Board's deliberations.
Victoria J. Herget, Trustee (since 2012) Year of Birth:1951	Board Chair (2008-2015) and Director (2004-Present) of United Educators (insurance company); Trustee (since 2000) and Chair (2010-2017) of 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). 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 Board's 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; member, Women's Investment Management Forum (professional organization) (since inception) and Trustee of Jennies School for Little Children (non-profit) (2011-2014). 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 Board's deliberations.

James D. Vaughn, Trustee (since 2012) Year of Birth:1945	Retired; former managing partner (1994-2001) of Denver office of Deloitte & Touche LLP, (held various positions in Denver and New York offices from 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. 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 Board's 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. Mr. Steinmetz is an officer of 104 portfolios in the OppenheimerFunds complex.*
Arthur P. Steinmetz, Trustee (since 2015), President and Principal Executive Officer (since 2014) Year of Birth: 1958	Chairman of OppenheimerFunds, Inc. (since January 2015); CEO and Chairman of OFI Global Asset Management, Inc. (since July 2014), President of OFI Global Asset Management, Inc. (since May 2013), a Director of OFI Global Asset Management, Inc. (since January 2013), Director of OppenheimerFunds, Inc. (since July 2014), President, Management Director and CEO of Oppenheimer Acquisition Corp. (OppenheimerFunds, Inc.'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 (January 2013-December 2013); Executive Vice President of OFI Global Asset Management, Inc. (January 2013-May 2013); Chief Investment Officer of OppenheimerFunds, Inc. (October 2010-December 2012); Chief Investment Officer, Fixed-Income, of OppenheimerFunds, Inc. (April 2009-October 2010); Executive Vice President of OppenheimerFunds, Inc. (October 2009-December 2012); Director of Fixed Income of OppenheimerFunds, Inc. (January 2009-April 2009); and a Senior Vice President of OppenheimerFunds, Inc. (March 1993-September 2009).
OTHER OFFICERS OF THE FUND	*The addresses of the Officers in the chart below are as follows: for Messrs. Govil, Ram, Larson, Mss. 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.*
Manind Govil, Vice President (since 2009) Year of Birth: 1969	Senior Vice President, the Main Street Team Leader and a portfolio manager of the Sub-Adviser (since May 2009). Portfolio manager with RS Investment Management Co. LLC (October 2006-March 2009). Head of equity investments at The Guardian Life Insurance Company of America (August 2005-October 2006) when Guardian Life Insurance acquired an interest in RS Investment Management Co. LLC. Lead portfolio manager - large cap blend/core equity, co-head of equities and head of equity research (2001-July 2005), and was lead portfolio manager - core equity (April 1996-July 2005), at Mercantile Capital Advisers, Inc.
Benjamin Ram, Vice President (since 2009) Year of Birth: 1972	Senior Portfolio Manager of the Sub-Adviser (since January 2011); Vice President and Portfolio Manager of the Sub-Adviser (May 2009 - December 2010). Sector Manager for Financial Investments and co-Portfolio Manager for mid-cap portfolios with the RS Core Equity Team of RS Investments Management Co. LLC (October 2006-May 2009); Portfolio Manager of Mid Cap Strategies, Sector Manager Financials at The Guardian Life Insurance Company of America (January 2006-October 2006) when Guardian Life Insurance acquired an interest in RS Investments Management Co. LLC. Financial analyst (2003-2005) and co-portfolio manager (2005-2006) at Mercantile Capital Advisers, Inc.; Bank analyst at Legg Mason Securities (2000-2003); senior financial analyst at the CitiFinancial division of Citigroup, Inc. (1997-2000).
Paul Larson, Vice President (since 2014) Year of Birth: 1971	Vice President of the Sub-Adviser (since January 2013). Prior to joining the Sub-Adviser, he was a portfolio manager and Chief Equity Strategist at Morningstar. He was previously an analyst at Morningstar covering the energy sector and oversaw the firm's natural resources analysts. Prior to joining Morningstar in 2002, Mr. Larson was an analyst with The Motley Fool.
Cynthia Lo Bessette, Secretary and Chief Legal Officer (since 2016) Year of Birth: 1969	Executive Vice President, General Counsel and Secretary of OFI Global Asset Management, Inc. (since February 2016); Senior Vice President and Deputy General Counsel of OFI Global Asset Management, Inc. (March 2015-February 2016); Chief Legal Officer of OppenheimerFunds, Inc. and OppenheimerFunds Distributor, Inc. (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.
Jennifer Foxson, Vice President and Chief Business Officer (since 2014) Year of Birth: 1969	Senior Vice President of OppenheimerFunds Distributor, Inc. (since June 2014); Vice President of OppenheimerFunds Distributor, Inc. (April 2006-June 2014); Vice President of OppenheimerFunds, Inc. (January 1998-March 2006); Assistant Vice President of OppenheimerFunds, Inc. (October 1991-December 1998).
Mary Ann Picciotto, Chief Compliance Officer and Chief Anti-Money Laundering Officer (since 2014) Year of Birth: 1973	Senior Vice President and Chief Compliance Officer of OFI Global Asset Management, Inc. (since March 2014); Chief Compliance Officer of OppenheimerFunds, Inc., OFI SteelPath, Inc., 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).

Brian S. Petersen, Treasurer and Principal Financial & Accounting Officer (since 2016) Year of Birth: 1970	Senior Vice President of OFI Global Asset Management, Inc. (since January 2017); Vice President of OFI Global Asset Management, Inc. (January 2013-January 2017); Vice President of OppenheimerFunds, Inc. (February 2007-December 2012); Assistant Vice President of OppenheimerFunds, Inc. (August 2002-2007).

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.

OPPENHEIMER MAIN STREET 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.

OppenheimerFunds®
The Right Way
to Invest

PIMCO

PIMCO VARIABLE INSURANCE TRUST

PIMCO CommodityRealReturn® Strategy Portfolio

This brochure contains the following documents:

- Recent prospectus supplements relating to the above fund(s)
- The Annual Report dated December 31, 2018 (following the supplement(s))

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, you may not be receiving paper copies of the Fund's shareholder reports from the insurance company that offers your contract unless you specifically request paper copies from the insurance company or from your financial intermediary. Instead, the shareholder reports will be made available on a website, and the insurance company will notify you by mail each time a report is posted and provide you with a website link to access the report. Instructions for requesting paper copies will be provided by your insurance company.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the insurance company electronically by following the instructions provided by the insurance company.

You may elect to receive all future reports in paper free of charge from the insurance company. You should contact the insurance company if you wish to continue receiving paper copies of your shareholder reports. Your election to receive reports in paper will apply to all portfolio companies available under your contract at the insurance company.

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PIMCO Variable Insurance Trust

Supplement Dated January 9, 2019 to the PIMCO CommodityRealReturn® Strategy Portfolio Administrative Class Prospectus, PIMCO CommodityRealReturn® Strategy Portfolio Institutional Class Prospectus, PIMCO CommodityRealReturn® Strategy Portfolio Advisor Class Prospectus, and PIMCO CommodityRealReturn® Strategy Portfolio Class M Prospectus, each dated April 30, 2018, as supplemented (the "Prospectuses")

Disclosure Regarding the PIMCO CommodityRealReturn® Strategy Portfolio (the "Portfolio")

Effective immediately, the Portfolio is jointly managed by Mihir Worah, Nicholas J. Johnson, Greg Sharenow and Stephen Rodosky. Accordingly, effective immediately, the paragraph in the "Investment Adviser/ Portfolio Manager" section in the Portfolio's Portfolio Summary in the Prospectuses is deleted and replaced with the following:

PIMCO serves as the investment adviser for the Portfolio. The Portfolio's portfolio is jointly managed by Mihir Worah, Nicholas J. Johnson, Greg Sharenow and Stephen Rodosky. Mr. Worah is CIO Real Return and Asset Allocation and a Managing Director of PIMCO. Messrs. Johnson and Rodosky are Managing Directors of PIMCO. Mr. Sharenow is an Executive Vice President of PIMCO. Mr. Worah has managed the Portfolio since December 2007, Mr. Johnson has managed the Portfolio since January 2015, Mr. Sharenow has managed the Portfolio since November 2018, and Mr. Rodosky has managed the Portfolio since January 2019.

In addition, effective immediately, disclosure concerning the Portfolio's portfolio managers in the table in the "Management of the Portfolios—Individual Portfolio Managers" section of the Prospectuses is deleted and replaced with the following:

Portfolio	Portfolio Manager(s)	Since	Recent Professional Experience
PIMCO CommodityRealReturn® Strategy	Nicholas J. Johnson	1/15	Managing Director, PIMCO. He joined PIMCO in 2004 and previously managed the portfolio analyst group. Prior to joining PIMCO, he worked at NASA's Jet Propulsion Laboratory, developing Mars missions and new methods of autonomous navigation.
PIMCO CommodityRealReturn® Strategy	Stephen Rodosky	1/19	Managing Director, PIMCO. Mr. Rodosky joined PIMCO in 2001 and specializes in portfolio management of treasuries, agencies and futures.
PIMCO CommodityRealReturn® Strategy	Greg E. Sharenow	11/18	Executive Vice President, PIMCO. Mr. Sharenow joined PIMCO in 2011 and is a portfolio manager focusing on real assets. Prior to joining PIMCO, he was an energy trader at Hess Energy Trading, Goldman Sachs and DE Shaw. He was also previously senior energy economist at Goldman Sachs. He has investment and financial services experience since 2000 and holds bachelor's degrees in mathematical methods in the social sciences and in economics from Northwestern University.

Portfolio	Portfolio Manager(s)	Since	Recent Professional Experience
PIMCO CommodityRealReturn® Strategy	Mihir Worah	12/07	CIO Real Return and Asset Allocation and Managing Director, PIMCO. Mr. Worah is a portfolio manager and head of the real return and multi-asset portfolio management teams. Prior to joining PIMCO in 2001, he was a postdoctoral research associate at the University of California, Berkeley, and the Stanford Linear Accelerator Center, where he built models to explain the difference between matter and anti-matter. In 2012 he coauthored “Intelligent Commodity Indexing,” published by McGraw-Hill. He has investment experience since 2003 and holds a Ph.D. in theoretical physics from the University of Chicago.

Investors Should Retain This Supplement for Future Reference

PVIT_SUPP2_010919

This supplement is not part of the Annual Report and is not authorized for distribution to prospective investors unless preceded or accompanied by a current prospectus.

PIMCO Variable Insurance Trust

Supplement Dated November 1, 2018 to the PIMCO CommodityRealReturn® Strategy Portfolio Administrative Class Prospectus, PIMCO CommodityRealReturn® Strategy Portfolio Institutional Class Prospectus, PIMCO CommodityRealReturn® Strategy Portfolio Advisor Class and Class M Prospectus, each dated April 30, 2018, as supplemented (the "Prospectuses")

Disclosure Regarding the PIMCO CommodityRealReturn® Strategy Portfolio (the "Portfolio")

Effective immediately, the Portfolio is jointly managed by Mihir Worah, Nicholas J. Johnson, Greg Sharenow and Jeremie Banet. Accordingly, effective immediately, the paragraph in the "Investment Adviser/ Portfolio Manager" section in the Portfolio's Portfolio Summary in the Prospectuses is deleted and replaced with the following:

PIMCO serves as the investment adviser for the Portfolio. The Portfolio's portfolio is jointly managed by Mihir Worah, Nicholas J. Johnson, Greg Sharenow and Jeremie Banet. Mr. Worah is CIO Real Return and Asset Allocation and Managing Director of PIMCO, and he has managed the Portfolio since December 2007. Mr. Johnson is a Managing Director of PIMCO. Messrs. Sharenow and Banet are Executive Vice Presidents of PIMCO. Messrs. Johnson and Banet have each managed the Portfolio since January 2015, and Mr. Sharenow has managed the Portfolio since November 2018.

In addition, effective immediately, disclosure concerning the Portfolio's portfolio managers in the table in the "Management of the Portfolios—Individual Portfolio Managers" section of the Prospectuses is deleted and replaced with the following:

Portfolio	Portfolio Manager(s)	Since	Recent Professional Experience
PIMCO CommodityRealReturn® Strategy PIMCO Real Return	Jeremie Banet	1/15 1/15	Executive Vice President, PIMCO. Mr. Banet first joined PIMCO in 2011 and rejoined the firm in 2014. He is a portfolio manager on the real return team. Prior to joining PIMCO, he worked on U.S. inflation trading at Nomura. Previously he was with BNP Paribas, most recently as head of U.S. inflation trading. Mr. Banet holds a Masters in Applied Economics.
PIMCO CommodityRealReturn® Strategy	Nicholas J. Johnson	1/15	Managing Director, PIMCO. He joined PIMCO in 2004 and previously managed the portfolio analyst group. Prior to joining PIMCO, he worked at NASA's Jet Propulsion Laboratory, developing Mars missions and new methods of autonomous navigation.
PIMCO CommodityRealReturn® Strategy	Greg E. Sharenow	11/18	Executive Vice President, PIMCO. Mr. Sharenow joined PIMCO in 2011 and is a portfolio manager focusing on real assets. Prior to joining PIMCO, he was an energy trader at Hess Energy Trading, Goldman Sachs and DE Shaw. He was also previously senior energy economist at Goldman Sachs. He has investment and financial services experience since 2000 and holds bachelor's degrees in mathematical methods in the social sciences and in economics from Northwestern University.

Portfolio	Portfolio Manager(s)	Since	Recent Professional Experience
PIMCO CommodityRealReturn® Strategy PIMCO Global Multi-Asset Managed Allocation PIMCO Balanced Allocation PIMCO Real Return PIMCO Total Return	Mihir Worah	12/07 1/14 1/14 12/07 9/14	CIO Real Return and Asset Allocation and Managing Director, PIMCO. Mr. Worah is a portfolio manager and head of the real return and multi-asset portfolio management teams. Prior to joining PIMCO in 2001, he was a postdoctoral research associate at the University of California, Berkeley, and the Stanford Linear Accelerator Center, where he built models to explain the difference between matter and anti-matter. In 2012 he co-authored "Intelligent Commodity Indexing," published by McGraw-Hill. He has investment experience since 2003 and holds a Ph.D. in theoretical physics from the University of Chicago.

Investors Should Retain This Supplement for Future Reference

PVIT_SUPP2_110118

This supplement is not part of the Annual Report and is not authorized for distribution to prospective investors unless preceded or accompanied by a current prospectus.

PIMCO Variable Insurance Trust

Supplement dated July 26, 2018 to the
Administrative Class Prospectus, Institutional Class Prospectus and Advisor Class and Class M Prospectus, each dated April 30, 2018, each as supplemented from time to time (the "Cluster Prospectuses"); Prospectuses for each share class of the PIMCO All Asset Portfolio, PIMCO All Asset All Authority Portfolio (together with the Prospectus for each share class of the PIMCO All Asset Portfolio, the "Asset Allocation Standalone Prospectuses"), PIMCO Balanced Allocation Portfolio, PIMCO CommodityRealReturn® Strategy Portfolio, PIMCO Emerging Markets Bond Portfolio, PIMCO International Bond Portfolio (Unhedged), PIMCO International Bond Portfolio (U.S. Dollar-Hedged), PIMCO Global Core Bond (Hedged) Portfolio, PIMCO Global Bond Opportunities Portfolio (Unhedged), PIMCO Global Diversified Allocation Portfolio, PIMCO Global Multi-Asset Managed Allocation Portfolio, PIMCO High Yield Portfolio, PIMCO Income Portfolio, PIMCO Low Duration Portfolio, PIMCO Real Return Portfolio, PIMCO Short-Term Portfolio, PIMCO Total Return Portfolio and PIMCO Dynamic Bond Portfolio (each of the foregoing except for the Asset Allocation Standalone Prospectuses and Cluster Prospectuses, the "non-Asset Allocation Standalone Prospectuses"), each dated April 30, 2018, each as supplemented from time to time; and the Statement of Additional Information dated April 30, 2018, as supplemented from time to time (the "SAI")

Effective July 30, 2018, the first paragraph in the "Characteristics and Risks of Securities and Investment Techniques—Foreign (Non-U.S.) Securities" section of the Cluster Prospectuses is deleted in its entirety and replaced with the following:

Certain Portfolios may invest in securities and instruments that are economically tied to foreign (non-U.S.) countries. PIMCO generally considers an instrument to be economically tied to a non-U.S. country if the issuer is a foreign (non-U.S.) government (or any political subdivision, agency, authority or instrumentality of such government), or if the issuer is organized under the laws of a non-U.S. country. The Portfolio's investments in foreign (non-U.S.) securities may include American Depositary Receipts ("ADRs"), European Depositary Receipts ("EDRs"), Global Depositary Receipts ("GDRs") and similar securities that represent interests in a non-U.S. company's securities that have been deposited with a bank or trust and that trade on a U.S. exchange or over-the-counter. ADRs, EDRs and GDRs may be less liquid or may trade at a different price than the underlying securities of the issuer. In the case of money market instruments other than commercial paper and certificates of deposit, such instruments will be considered economically tied to a non-U.S. country if the issuer of such money market instrument is organized under the laws of a non-U.S. country. In the case of commercial paper and certificates of deposit, such instruments will be considered economically tied to a non-U.S. country if the "country of exposure" of such instrument is a non-U.S. country, as determined by the criteria set forth below. With respect to derivative instruments, PIMCO generally considers such instruments to be economically tied to non-U.S. countries if the underlying assets are foreign currencies (or baskets or indexes of such currencies), or instruments or securities that are issued by foreign governments or issuers organized under the laws of a non-U.S. country (or if the underlying assets are money market instruments other than commercial paper and certificates of deposit, the issuer of such money market instrument is organized under the laws of a non-U.S. country or, in the case of underlying assets that are commercial paper or certificates of deposit, if the "country of exposure" of such money market instrument is a non-U.S. country). A security's "country of exposure" is determined by PIMCO using certain factors provided by a third-party analytical service provider. The factors are applied in order such that the first factor to result in the assignment of a country determines the "country of exposure." Both the factors and the order in which they are applied may change in the discretion of PIMCO. The current factors, listed in the order in which they are applied, are: (i) if an asset-backed or other collateralized security, the country in which the collateral backing the security is located; (ii) the "country of risk" of the issuer; (iii) if the security is guaranteed by the government of a country (or any political subdivision, agency, authority or instrumentality of such government), the country of the government or instrumentality providing the guarantee; (iv) the "country of risk" of the issuer's ultimate parent; or (v) the country where the issuer is organized or incorporated under the laws thereof. "Country of risk" is a separate four-part test determined by the following factors, listed in order of importance: (i) management location; (ii) country of primary listing; (iii) sales or revenue attributable to the country; and (iv) reporting currency of the issuer.

In addition, effective July 30, 2018, the first paragraph in the "Characteristics and Risks of Securities and Investment Techniques—Foreign (Non-U.S.) Securities" section of the Asset Allocation Standalone Prospectuses is deleted in its entirety and replaced with the following:

Certain Underlying PIMCO Funds may invest in securities and instruments that are economically tied to foreign (non-U.S.) countries. PIMCO generally considers an instrument to be economically tied to a non-U.S. country if the issuer is a foreign (non-U.S.) government (or any political subdivision, agency, authority or instrumentality of such government), or if the issuer is organized under the laws of a non-U.S. country. The Portfolio's investments in foreign (non-U.S.) securities may include American Depositary Receipts ("ADRs"), European Depositary Receipts ("EDRs"), Global Depositary Receipts ("GDRs") and similar securities that represent interests in a non- U.S. company's securities that have been deposited with a bank or trust and that trade on a U.S. exchange or over-the-counter. ADRs, EDRs and GDRs may be less liquid or may trade at a different price than the underlying securities of the issuer. In the case of money market instruments other than commercial paper and certificates of deposit, such instruments will be considered economically tied to a non-U.S. country if the issuer of such money market instrument is organized under the laws of a non-U.S. country. In the case of commercial paper and certificates of deposit, such instruments will be considered economically tied to a non-U.S. country if the "country of exposure" of such instrument is a non-U.S. country, as determined by the criteria set forth below. With respect to derivative instruments, PIMCO generally considers such instruments to be economically tied to non-U.S. countries if the underlying assets are foreign currencies (or baskets or indexes of such currencies), or instruments or securities that are issued by foreign governments or issuers organized under the laws of a non-U.S. country (or if the underlying assets are money market instruments other than commercial paper and certificates of deposit, the issuer of such money market instrument is organized under the laws of a non-U.S. country or, in the case of underlying assets that are commercial paper or certificates of deposit, if the "country of exposure" of such money market instrument is a non-U.S. country). A security's "country of exposure" is determined by PIMCO using certain factors provided by a third-party analytical service provider. The factors are applied in order such that the first factor to result in the assignment of a country determines the "country of exposure." Both the factors and the order in which they are applied may change in the discretion of PIMCO. The current factors, listed in the order in which they are applied, are: (i) if an asset-backed or other collateralized security, the country in which the collateral backing the security is located; (ii) the "country of risk" of the issuer; (iii) if the security is guaranteed by the government of a country (or any political subdivision, agency, authority or instrumentality of such government), the country of the government or instrumentality providing the guarantee; (iv) the "country of risk" of the issuer's ultimate parent; or (v) the country where the issuer is organized or incorporated under the laws thereof. "Country of risk" is a separate four-part test determined by the following factors, listed in order of importance: (i) management location; (ii) country of primary listing; (iii) sales or revenue attributable to the country; and (iv) reporting currency of the issuer.

In addition, effective July 30, 2018, the first paragraph in the "Characteristics and Risks of Securities and Investment Techniques—Foreign (Non-U.S.) Securities" section of the non-Asset Allocation Standalone Prospectuses is deleted in its entirety and replaced with the following:

The Portfolio may invest in securities and instruments that are economically tied to foreign (non-U.S.) countries. PIMCO generally considers an instrument to be economically tied to a non-U.S. country if the issuer is a foreign (non-U.S.) government (or any political subdivision, agency, authority or instrumentality of such government), or if the issuer is organized under the laws of a non-U.S. country. The Portfolio's investments in foreign (non-U.S.) securities may include American Depositary Receipts ("ADRs"), European Depositary Receipts ("EDRs"), Global Depositary Receipts ("GDRs") and similar securities that represent interests in a non- U.S. company's securities that have been deposited with a bank or trust and that trade on a U.S. exchange or over-the-counter. ADRs, EDRs and GDRs may be less liquid or may trade at a different price than the underlying securities of the issuer. In the case of money market instruments other than commercial paper and certificates of deposit, such instruments will be considered economically tied to a non-U.S. country if the issuer of such money market instrument is organized under the laws of a non-U.S. country. In the case of commercial paper and certificates of deposit, such instruments will be considered economically tied to a non-U.S. country if the "country of exposure" of such instrument is a non-U.S. country, as determined by the criteria set forth below. With respect to derivative instruments, PIMCO generally considers such instruments to be economically tied to non-U.S. countries if the

underlying assets are foreign currencies (or baskets or indexes of such currencies), or instruments or securities that are issued by foreign governments or issuers organized under the laws of a non-U.S. country (or if the underlying assets are money market instruments other than commercial paper and certificates of deposit, the issuer of such money market instrument is organized under the laws of a non-U.S. country or, in the case of underlying assets that are commercial paper or certificates of deposit, if the "country of exposure" of such money market instrument is a non-U.S. country). A security's "country of exposure" is determined by PIMCO using certain factors provided by a third-party analytical service provider. The factors are applied in order such that the first factor to result in the assignment of a country determines the "country of exposure." Both the factors and the order in which they are applied may change in the discretion of PIMCO. The current factors, listed in the order in which they are applied, are: (i) if an asset-backed or other collateralized security, the country in which the collateral backing the security is located; (ii) the "country of risk" of the issuer; (iii) if the security is guaranteed by the government of a country (or any political subdivision, agency, authority or instrumentality of such government), the country of the government or instrumentality providing the guarantee; (iv) the "country of risk" of the issuer's ultimate parent; or (v) the country where the issuer is organized or incorporated under the laws thereof. "Country of risk" is a separate four-part test determined by the following factors, listed in order of importance: (i) management location; (ii) country of primary listing; (iii) sales or revenue attributable to the country; and (iv) reporting currency of the issuer.

In addition, effective July 30, 2018, the first paragraph in the "Characteristics and Risks of Securities and Investment Techniques—Foreign (Non-U.S.) Securities—Emerging Market Securities" section of the Cluster Prospectuses is deleted in its entirety and replaced with the following:

Each Portfolio that may invest in foreign (non-U.S.) securities may invest in securities and instruments that are economically tied to developing (or "emerging market") countries. Each Portfolio is subject to the limitation on investment in emerging market securities noted in the Portfolio's Portfolio Summary. PIMCO generally considers an instrument to be economically tied to an emerging market country if: the issuer is organized under the laws of an emerging market country; the currency of settlement of the security is a currency of an emerging market country; the security is guaranteed by the government of an emerging market country (or any political subdivision, agency, authority or instrumentality of such government); for an asset-backed or other collateralized security, the country in which the collateral backing the security is located is an emerging market country; or the security's "country of exposure" is an emerging market country, as determined by the criteria set forth below. With respect to derivative instruments, PIMCO generally considers such instruments to be economically tied to emerging market countries if the underlying assets are currencies of emerging market countries (or baskets or indexes of such currencies), or instruments or securities that are issued or guaranteed by governments of emerging market countries or by entities organized under the laws of emerging market countries or if an instrument's "country of exposure" is an emerging market country. A security's "country of exposure" is determined by PIMCO using certain factors provided by a third-party analytical service provider. The factors are applied in order such that the first factor to result in the assignment of a country determines the "country of exposure." Both the factors and the order in which they are applied may change in the discretion of PIMCO. The current factors, listed in the order in which they are applied, are: (i) if an asset-backed or other collateralized security, the country in which the collateral backing the security is located; (ii) the "country of risk" of the issuer; (iii) if the security is guaranteed by the government of a country (or any political subdivision, agency, authority or instrumentality of such government), the country of the government or instrumentality providing the guarantee; (iv) the "country of risk" of the issuer's ultimate parent; or (v) the country where the issuer is organized or incorporated under the laws thereof. "Country of risk" is a separate four-part test determined by the following factors, listed in order of importance: (i) management location; (ii) country of primary listing; (iii) sales or revenue attributable to the country; and (iv) reporting currency of the issuer. PIMCO has broad discretion to identify countries that it considers to qualify as emerging markets. In making investments in emerging market securities, the Portfolio emphasizes those countries with relatively low gross national product per capita and with the potential for rapid economic growth. Emerging market countries are generally located in Asia, Africa, the Middle East, Latin America and Eastern Europe. PIMCO will select the country and currency composition based on its evaluation of relative interest rates, inflation rates, exchange rates, monetary and fiscal policies, trade and current account balances, legal and political developments and any other specific factors it believes to be relevant.

In addition, effective July 30, 2018, the first paragraph in the "Characteristics and Risks of Securities and Investment Techniques—Foreign (Non-U.S.) Securities—Emerging Market Securities" section of the Asset Allocation Standalone Prospectuses is deleted in its entirety and replaced with the following:

Certain Underlying PIMCO Funds may invest in securities and instruments that are economically tied to developing (or "emerging market") countries. Each Portfolio is subject to the limitation on investment in emerging market securities noted in the Portfolio's Portfolio Summary. PIMCO generally considers an instrument to be economically tied to an emerging market country if: the issuer is organized under the laws of an emerging market country; the currency of settlement of the security is a currency of an emerging market country; the security is guaranteed by the government of an emerging market country (or any political subdivision, agency, authority or instrumentality of such government); for an asset-backed or other collateralized security, the country in which the collateral backing the security is located is an emerging market country; or the security's "country of exposure" is an emerging market country, as determined by the criteria set forth below. With respect to derivative instruments, PIMCO generally considers such instruments to be economically tied to emerging market countries if the underlying assets are currencies of emerging market countries (or baskets or indexes of such currencies), or instruments or securities that are issued or guaranteed by governments of emerging market countries or by entities organized under the laws of emerging market countries or if an instrument's "country of exposure" is an emerging market country. A security's "country of exposure" is determined by PIMCO using certain factors provided by a third-party analytical service provider. The factors are applied in order such that the first factor to result in the assignment of a country determines the "country of exposure." Both the factors and the order in which they are applied may change in the discretion of PIMCO. The current factors, listed in the order in which they are applied, are: (i) if an asset-backed or other collateralized security, the country in which the collateral backing the security is located; (ii) the "country of risk" of the issuer; (iii) if the security is guaranteed by the government of a country (or any political subdivision, agency, authority or instrumentality of such government), the country of the government or instrumentality providing the guarantee; (iv) the "country of risk" of the issuer's ultimate parent; or (v) the country where the issuer is organized or incorporated under the laws thereof. "Country of risk" is a separate four-part test determined by the following factors, listed in order of importance: (i) management location; (ii) country of primary listing; (iii) sales or revenue attributable to the country; and (iv) reporting currency of the issuer. PIMCO has broad discretion to identify countries that it considers to qualify as emerging markets. In making investments in emerging market securities, the Portfolio emphasizes those countries with relatively low gross national product per capita and with the potential for rapid economic growth. Emerging market countries are generally located in Asia, Africa, the Middle East, Latin America and Eastern Europe. PIMCO will select the country and currency composition based on its evaluation of relative interest rates, inflation rates, exchange rates, monetary and fiscal policies, trade and current account balances, legal and political developments and any other specific factors it believes to be relevant.

In addition, effective July 30, 2018, the first paragraph in the "Characteristics and Risks of Securities and Investment Techniques—Foreign (Non-U.S.) Securities—Emerging Market Securities" section of the non-Asset Allocation Standalone Prospectuses is deleted in its entirety and replaced with the following:

The Portfolio may invest in securities and instruments that are economically tied to developing (or "emerging market") countries. Each Portfolio is subject to the limitation on investment in emerging market securities noted in the Portfolio's Portfolio Summary. PIMCO generally considers an instrument to be economically tied to an emerging market country if: the issuer is organized under the laws of an emerging market country; the currency of settlement of the security is a currency of an emerging market country; the security is guaranteed by the government of an emerging market country (or any political subdivision, agency, authority or instrumentality of such government); for an asset-backed or other collateralized security, the country in which the collateral backing the security is located is an emerging market country; or the security's "country of exposure" is an emerging market country, as determined by the criteria set forth below. With respect to derivative instruments, PIMCO generally considers such instruments to be economically tied to emerging market countries if the underlying assets are currencies of emerging market countries (or baskets or indexes of such currencies), or instruments or securities that are issued or guaranteed by governments of emerging market countries or by entities organized under the laws of emerging market countries or if an instrument's "country of exposure" is an emerging market country. A security's "country of exposure" is determined by PIMCO using certain factors provided by a

third-party analytical service provider. The factors are applied in order such that the first factor to result in the assignment of a country determines the "country of exposure." Both the factors and the order in which they are applied may change in the discretion of PIMCO. The current factors, listed in the order in which they are applied, are: (i) if an asset-backed or other collateralized security, the country in which the collateral backing the security is located; (ii) the "country of risk" of the issuer; (iii) if the security is guaranteed by the government of a country (or any political subdivision, agency, authority or instrumentality of such government), the country of the government or instrumentality providing the guarantee; (iv) the "country of risk" of the issuer's ultimate parent; or (v) the country where the issuer is organized or incorporated under the laws thereof. "Country of risk" is a separate four-part test determined by the following factors, listed in order of importance: (i) management location; (ii) country of primary listing; (iii) sales or revenue attributable to the country; and (iv) reporting currency of the issuer. PIMCO has broad discretion to identify countries that it considers to qualify as emerging markets. In making investments in emerging market securities, the Portfolio emphasizes those countries with relatively low gross national product per capita and with the potential for rapid economic growth. Emerging market countries are generally located in Asia, Africa, the Middle East, Latin America and Eastern Europe. PIMCO will select the country and currency composition based on its evaluation of relative interest rates, inflation rates, exchange rates, monetary and fiscal policies, trade and current account balances, legal and political developments and any other specific factors it believes to be relevant.

In addition, effective July 30, 2018, the second paragraph in the "Investment Objectives and Policies—Foreign Securities" section of the SAI is deleted in its entirety and replaced with the following:

PIMCO generally considers an instrument to be economically tied to a non-U.S. country if the issuer is a foreign government (or any political subdivision, agency, authority or instrumentality of such government), or if the issuer is organized under the laws of a non-U.S. country. In the case of money market instruments other than commercial paper and certificates of deposit, such instruments will be considered economically tied to a non-U.S. country if the issuer of such money market instrument is organized under the laws of a non-U.S. country. In the case of commercial paper and certificates of deposit, such instruments will be considered economically tied to a non-U.S. country if the "country of exposure" of such instrument is a non-U.S. country, as determined by the criteria set forth below. With respect to derivative instruments, PIMCO generally considers such instruments to be economically tied to non-U.S. countries if the underlying assets are foreign currencies (or baskets or indexes of such currencies), or instruments or securities that are issued by foreign governments or issuers organized under the laws of a non-U.S. country (or if the underlying assets are money market instruments other than commercial paper and certificates of deposit, the issuer of such money market instrument is organized under the laws of a non-U.S. country or, in the case of underlying assets that are commercial paper or certificates of deposit, if the "country of exposure" of such money market instrument is a non-U.S. country). A security's "country of exposure" is determined by PIMCO using certain factors provided by a third-party analytical service provider. The factors are applied in order such that the first factor to result in the assignment of a country determines the "country of exposure." Both the factors and the order in which they are applied may change in the discretion of PIMCO. The current factors, listed in the order in which they are applied, are: (i) if an asset-backed or other collateralized security, the country in which the collateral backing the security is located; (ii) the "country of risk" of the issuer; (iii) if the security is guaranteed by the government of a country (or any political subdivision, agency, authority or instrumentality of such government), the country of the government or instrumentality providing the guarantee; (iv) the "country of risk" of the issuer's ultimate parent; or (v) the country where the issuer is organized or incorporated under the laws thereof. "Country of risk" is a separate four-part test determined by the following factors, listed in order of importance: (i) management location; (ii) country of primary listing; (iii) sales or revenue attributable to the country; and (iv) reporting currency of the issuer.

In addition, effective July 30, 2018, the fourth paragraph in the "Investment Objectives and Policies—Foreign Securities" section of the SAI is deleted in its entirety and replaced with the following.

PIMCO generally considers an instrument to be economically tied to an emerging market country if: the issuer is organized under the laws of an emerging market country; the currency of settlement of the security is a currency of an emerging market country; the security is guaranteed by the government of an emerging market country (or any political subdivision, agency, authority or instrumentality of such government); for an asset-backed or other

collateralized security, the country in which the collateral backing the security is located is an emerging market country; or the security's "country of exposure" is an emerging market country, as determined by the criteria set forth below. With respect to derivative instruments, PIMCO generally considers such instruments to be economically tied to emerging market countries if the underlying assets are currencies of emerging market countries (or baskets or indexes of such currencies), or instruments or securities that are issued or guaranteed by governments of emerging market countries or by entities organized under the laws of emerging market countries or if an instrument's "country of exposure" is an emerging market country. A security's "country of exposure" is determined by PIMCO using certain factors provided by a third-party analytical service provider. The factors are applied in order such that the first factor to result in the assignment of a country determines the "country of exposure." Both the factors and the order in which they are applied may change in the discretion of PIMCO. The current factors, listed in the order in which they are applied, are: (i) if an asset-backed or other collateralized security, the country in which the collateral backing the security is located; (ii) the "country of risk" of the issuer; (iii) if the security is guaranteed by the government of a country (or any political subdivision, agency, authority or instrumentality of such government), the country of the government or instrumentality providing the guarantee; (iv) the "country of risk" of the issuer's ultimate parent; or (v) the country where the issuer is organized or incorporated under the laws thereof. "Country of risk" is a separate four-part test determined by the following factors, listed in order of importance: (i) management location; (ii) country of primary listing; (iii) sales or revenue attributable to the country; and (iv) reporting currency of the issuer. PIMCO has broad discretion to identify countries that it considers to qualify as emerging markets. In exercising such discretion, PIMCO identifies countries as emerging markets consistent with the strategic objectives of the particular Portfolio. For example, a Portfolio may consider a country to be an emerging market country based on a number of factors including, but not limited to, if the country is classified as an emerging or developing economy by any supranational organization such as the World Bank or the United Nations, or related entities, or if the country is considered an emerging market country for purposes of constructing emerging markets indices. In some cases, this approach may result in PIMCO identifying a particular country as an emerging market with respect to certain Portfolios but not others.

Investors Should Retain This Supplement For Future Reference

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This supplement is not part of the Annual Report and is not authorized for distribution to prospective investors unless preceded or accompanied by a current prospectus.

PIMCO

PIMCO VARIABLE INSURANCE TRUST

Annual Report

December 31, 2018

PIMCO CommodityRealReturn® Strategy Portfolio

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, you may not be receiving paper copies of the Portfolio's shareholder reports from the insurance company that offers your contract unless you specifically request paper copies from the insurance company or from your financial intermediary. Instead, the shareholder reports will be made available on a website, and the insurance company will notify you by mail each time a report is posted and provide you with a website link to access the report. Instructions for requesting paper copies will be provided by your insurance company.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the insurance company electronically by following the instructions provided by the insurance company.

You may elect to receive all future reports in paper free of charge from the insurance company. You should contact the insurance company if you wish to continue receiving paper copies of your shareholder reports. Your election to receive reports in paper will apply to all portfolio companies available under your contract at the insurance company.

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Table of Contents

	Page
Chairman’s Letter	2
Important Information About the PIMCO CommodityRealReturn® Strategy Portfolio	4
Portfolio Summary	6
Expense Example	7
Financial Highlights (Consolidated)	8
Consolidated Statement of Assets and Liabilities	10
Consolidated Statement of Operations	11
Consolidated Statements of Changes in Net Assets	12
Consolidated Statement of Cash Flows	13
Consolidated Schedule of Investments	14
Notes to Financial Statements	33
Report of Independent Registered Public Accounting Firm	54
Glossary	55
Federal Income Tax Information	56
Management of the Trust	57
Privacy Policy	59
Approval of Investment Advisory Contract and Other Agreements	60

Dear PIMCO Variable Insurance Trust Shareholder,

Following this letter is the PIMCO Variable Insurance Trust Annual Report, which covers the 12-month reporting period ended December 31, 2018. On the subsequent pages you will find specific details regarding investment results and discussion of the factors that most affected performance during the reporting period.

For the 12-month reporting period ended December 31, 2018

The U.S. economy continued to expand during the reporting period. Looking back, U.S. gross domestic product ("GDP") grew at an annual pace of 2.2% during the first quarter of 2018. During the second quarter of 2018, GDP growth rose to an annual pace of 4.2%, the strongest since the third quarter of 2014. GDP then expanded at an annual pace of 3.4% during the third quarter of the year. Finally, the Commerce Department's initial reading for fourth-quarter 2018 GDP has been delayed due to the partial government shutdown.

The Federal Reserve (the "Fed") continued to normalize monetary policy during the reporting period. During its meetings that concluded in March, June, September and December 2018, the Fed raised the federal funds rate in 0.25% increments. The Fed's December rate hike pushed the federal funds rate to a range between 2.25% and 2.50%. In addition, the Fed continued to reduce its balance sheet during the reporting period.

Economic activity outside the U.S. initially accelerated during the reporting period, but moderated as it progressed. Against this backdrop, the European Central Bank (the "ECB") and the Bank of Japan largely maintained their highly accommodative monetary policies, while other central banks took a more hawkish stance. The Bank of England raised rates at its meeting in August 2018 and the Bank of Canada raised rates twice during the reporting period. Meanwhile, the ECB ended its quantitative easing program in December 2018, but indicated that it does not expect to raise interest rates "at least through the summer of 2019."

The U.S. Treasury yield curve flattened during the reporting period as short-term rates moved up more than longer-term rates. In our view, the increase in rates at the short end of the yield curve was mostly due to Fed interest rate increases. The yield on the benchmark 10-year U.S. Treasury note was 2.69% at the end of the reporting period, up from 2.40% on December 31, 2017. U.S. Treasuries, as measured by the Bloomberg Barclays U.S. Treasury Index, returned 0.86% over the 12 months ended December 31, 2018. Meanwhile, the Bloomberg Barclays U.S. Aggregate Bond Index, a widely used index of U.S. investment grade bonds, returned 0.01% over the period. Riskier fixed income asset classes, including high yield corporate bonds and emerging market debt, generated weak results versus the broad U.S. market. The ICE BofAML U.S. High Yield Index returned -2.27% over the reporting period, whereas emerging market external debt, as represented by the JPMorgan Emerging Markets Bond Index (EMBI) Global, returned -4.61% over the reporting period. Emerging market local bonds, as represented by the JPMorgan Government Bond Index-Emerging Markets Global Diversified Index (Unhedged), returned -6.21% over the period.

Global equities produced poor results during the reporting period. U.S. equities moved sharply higher over the first nine months of the period. We believe this rally was driven by a number of factors, including corporate profits that often exceeded expectations. However, U.S. equities fell sharply during the fourth quarter of 2018. We believe this was triggered by a number of factors, including signs of moderating global growth, concerns over future Fed rate hikes, the ongoing trade dispute between the U.S. and China and the partial U.S. government shutdown. All told, U.S. equities, as represented by the S&P 500 Index, returned -4.38% during the reporting period. Elsewhere, emerging market equities, as measured by the MSCI Emerging Markets Index, returned -14.58% during the reporting period, whereas global equities, as represented by the MSCI World Index, returned -8.71%. Elsewhere, Japanese equities, as represented by the Nikkei 225 Index (in JPY), returned -10.39% during the reporting period and European equities, as represented by the MSCI Europe Index (in EUR), returned -10.57%.

Commodity prices fluctuated and generally declined during the reporting period. When the reporting period began, West Texas crude oil was approximately $65 a barrel, but by the end it was roughly $45 a barrel. This was driven in

part by increased supply and declining global demand. Elsewhere, gold and copper prices also moved lower during the reporting period.

Finally, during the reporting period the foreign exchange markets experienced periods of volatility, due in part to signs of decoupling economic growth and central bank policies, along with a number of geopolitical events. The U.S. dollar produced mixed results against other major currencies during the reporting period. For example, the U.S. dollar appreciated 4.71% and 5.90% versus the euro and the British pound, respectively, whereas the U.S. dollar depreciated 2.66% versus the yen during the reporting period.

Thank you for the assets you have placed with us. We deeply value your trust, and we will continue to work diligently to meet your broad investment needs.

Sincerely,

Brent R. Harris
Chairman of the Board,
PIMCO Variable Insurance Trust

Past performance is no guarantee of future results. Unless otherwise noted, index returns reflect the reinvestment of income distributions and capital gains, if any, but do not reflect fees, brokerage commissions or other expenses of investing. It is not possible to invest directly in an unmanaged index.

Important Information About the PIMCO CommodityRealReturn® Strategy Portfolio

PIMCO Variable Insurance Trust (the "Trust") is an open-end management investment company that includes the PIMCO CommodityRealReturn® Strategy Portfolio (the "Portfolio"). The Portfolio is only available as a funding vehicle under variable life insurance policies or variable annuity contracts issued by insurance companies ("Variable Contracts"). Individuals may not purchase shares of the Portfolio directly. Shares of the Portfolio also may be sold to qualified pension and retirement plans outside of the separate account context.

We believe that bond funds have an important role to play in a well-diversified investment portfolio. It is important to note, however, that in an environment where interest rates may trend upward, rising rates would negatively impact the performance of most bond funds, and fixed income securities and other instruments held by the Portfolio are likely to decrease in value. A wide variety of factors can cause interest rates to rise (e.g., central bank monetary policies, inflation rates, general economic conditions, etc.). In addition, changes in interest rates can be sudden and unpredictable, and there is no guarantee that management will anticipate such movement accurately. The Portfolio may lose money as a result of movements in interest rates.

As of the date of this report, interest rates in the U.S. and many parts of the world, including certain European countries, are at or near historically low levels. Thus, the Portfolio currently faces a heightened level of interest rate risk, especially since the Fed has ended its quantitative easing program and has begun, and may continue, to raise interest rates. To the extent the Fed continues to raise interest rates, there is a risk that rates across the financial system may rise. Further, while bond markets have steadily grown over the past three decades, dealer inventories of corporate bonds are near historic lows in relation to market size. As a result, there has been a significant reduction in the ability of dealers to "make markets."

Bond funds and individual bonds with a longer duration (a measure used to determine the sensitivity of a security's price to changes in interest rates) tend to be more sensitive to changes in interest rates, usually making them more volatile than securities or funds with shorter durations. All of the factors mentioned above, individually or collectively, could lead to increased volatility and/or lower liquidity in the fixed income markets or negatively impact the Portfolio's performance or cause the Portfolio to incur losses. As a result, the Portfolio may experience increased shareholder redemptions which, among other things, could further reduce the net assets of the Portfolio.

The Portfolio may be subject to various risks as described in the Portfolio's prospectus and in the Principal Risks in the Notes to Financial Statements.

The geographical classification of foreign (non-U.S.) securities in this report are classified by the country of incorporation of a holding. In certain instances, a security's country of incorporation may be different from its country of economic exposure.

The United States presidential administration's enforcement of tariffs on goods from other countries, with a focus on China, has contributed to international trade tensions and may impact portfolio securities.

The United Kingdom's decision to leave the European Union may impact Portfolio returns. This decision may cause substantial volatility in foreign exchange markets, lead to weakness in the exchange rate of the British pound, result in a sustained period of market uncertainty, and destabilize some or all of the other European Union member countries and/or the Eurozone.

The Portfolio will seek to gain exposure to the commodity markets primarily through investments in leveraged or unleveraged commodity index-linked notes, which are derivative debt instruments with principal and/or coupon payments linked to the performance of commodity indices, and through investments in the PIMCO Cayman Commodity Portfolio I Ltd. (the "Subsidiary"), a wholly-owned subsidiary (as discussed below). The Portfolio may also invest in commodity-linked notes with principal and/or coupon payments linked to the value of particular commodities or commodity futures contracts, or a subset of commodities or commodity futures contracts. These notes are sometimes referred to as "structured notes" because the terms of these notes may be structured by the issuer and the purchaser of the notes. The value of these notes will rise or fall in response to changes in the underlying commodity or related index of investments. These notes expose the Portfolio economically to movements in commodity prices. The Portfolio is intended for long-term investors and an investment in the Portfolio should be no more than a small part of a typical diversified portfolio. The Portfolio's share price is expected to be more volatile than that of other funds. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, changes in interest rates, or factors affecting a particular industry or commodity, such as weather, disease, embargoes, and international economic, political and regulatory developments. These notes also are subject to risks, such as credit, market and interest rate risks, that in general affect the values of debt securities. In addition, these notes are often leveraged, increasing the volatility of each note's market value relative to changes in the underlying commodity, commodity futures contract or commodity index. Therefore, at maturity of the note, the Portfolio may receive more or less principal than it originally invested. The Portfolio might receive interest payments on the note that are more or less than the stated coupon interest payments. The Portfolio may also gain exposure to the commodity markets indirectly by investing in its Subsidiary, which will primarily invest in different commodity-linked derivative instruments than the Portfolio, including swap agreements, commodity options, futures and options on futures.

On the Portfolio Summary page in this Shareholder Report, the Average Annual Total Return table and Cumulative Returns chart measure performance assuming that any dividend and capital gain distributions were reinvested. The Cumulative Returns chart reflects only Administrative Class performance. Performance may vary by share class based on each class's expense ratios. The Portfolio measures its performance against at least one broad-based securities market index ("benchmark index"). The benchmark index does not take into account fees, expenses, or taxes. The Portfolio's past performance, before and after taxes, is not necessarily an indication of how the Portfolio will perform in the future. There is no assurance that the Portfolio, even if the Portfolio has experienced high or unusual performance for one or more periods, will experience similar levels of performance in the future. High performance is defined as a significant increase in either 1) the Portfolio's total return in excess of that of the Portfolio's benchmark between reporting periods or 2) the Portfolio's total return in excess of the Portfolio's historical returns between reporting periods. Unusual performance is defined as a significant change in the Portfolio's performance as compared to one or more previous reporting periods.

The following table discloses the inception dates of the Portfolio and its respective share classes along with the Portfolio's diversification status as of period end:

Portfolio Name	Portfolio Inception	Institutional Class	Class M	Administrative Class	Advisor Class	Diversification Status
PIMCO CommodityRealReturn® Strategy Portfolio	06/30/04	04/30/12	11/10/14	06/30/04	02/28/06	Diversified

An investment in the Portfolio is not a bank deposit and is not guaranteed or insured by the Federal Deposit Insurance Corporation ("FDIC") or any other government agency. It is possible to lose money on investments in the Portfolio.

The Trustees are responsible generally for overseeing the management of the Trust. The Trustees authorize the Trust to enter into service agreements with the Adviser, the Distributor, the Administrator and other service providers in order to provide, and in some cases authorize service providers to procure through other parties, necessary or desirable services on behalf of the Trust and the Portfolio. Shareholders are not parties to or third-party beneficiaries of such service agreements. Neither this Portfolio's prospectus nor summary prospectus, the Trust's Statement of Additional Information ("SAI"), any contracts filed as exhibits to the Trust's registration statement, nor any other communications, disclosure documents or regulatory filings (including this report) from or on behalf of the Trust or the Portfolio creates a contract between or among any shareholder of the Portfolio, on the one hand, and the Trust, the Portfolio, a service provider to the Trust or the Portfolio, and/or the Trustees or officers of the Trust, on the other hand. The Trustees (or the Trust and its officers, service providers or other delegates acting under authority of the Trustees) may amend the most recent prospectus or use a new prospectus, summary prospectus or SAI with respect to the Portfolio or the Trust, and/or amend, file and/or issue any other communications, disclosure documents or regulatory filings, and may amend or enter into any contracts to which the Trust or the Portfolio is a party, and interpret the investment objective(s), policies, restrictions and contractual provisions applicable to the Portfolio, without shareholder input or approval, except in circumstances in which shareholder approval is specifically required by law (such as changes to fundamental investment policies) or where a shareholder approval requirement is specifically disclosed in the Trust's then-current prospectus or SAI.

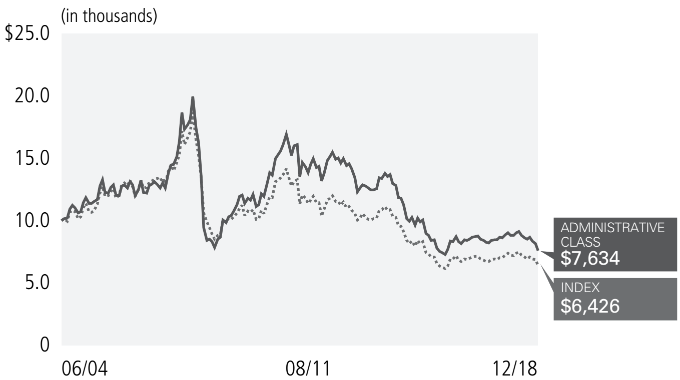
PIMCO has adopted written proxy voting policies and procedures ("Proxy Policy") as required by Rule 206(4)-6 under the Investment Advisers Act of 1940, as amended. The Proxy Policy has been adopted by the Trust as the policies and procedures that PIMCO will use when voting proxies on behalf of the Portfolio. A description of the policies and procedures that PIMCO uses to vote proxies relating to portfolio securities of the Portfolio, and information about how the Portfolio voted proxies relating to portfolio securities held during the most recent twelve-month period ended June 30, are available without charge, upon request, by calling the Trust at (888) 87-PIMCO, on the Portfolio's website at www.pimco.com/pvit, and on the Securities and Exchange Commission's ("SEC") website at www.sec.gov.

The Trust files a complete schedule of the Portfolio's holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. A copy of the Portfolio's Form N-Q is available on the SEC's website at www.sec.gov. A copy of the Portfolio's Form N-Q is also available without charge, upon request, by calling the Trust at (888) 87-PIMCO and on the Portfolio's website at www.pimco.com/pvit.

The SEC adopted a rule that, beginning in 2021, generally will allow shareholder reports to be delivered to investors by providing access to such reports online free of charge and by mailing a notice that the report is electronically available. Pursuant to the rule, investors may still elect to receive a complete shareholder report in the mail. Instructions for electing to receive paper copies of the Portfolio's shareholder reports going forward may be found on the front cover of this report.

The SEC adopted amendments to certain disclosure requirements relating to open-end investment companies' liquidity risk management programs. Effective December 1, 2019, large fund complexes will be required to include in their shareholder reports a discussion of their liquidity risk management programs' operations over the past year.

Cumulative Returns Through December 31, 2018



$10,000 invested at the end of the month when the Portfolio's Administrative Class commenced operations.

Allocation Breakdown as of 12/31/2018†§

U.S. Treasury Obligations	61.9%
Short-Term Instruments‡	11.3%
U.S. Government Agencies	10.0%
Corporate Bonds & Notes	7.4%
Asset-Backed Securities	4.8%
Sovereign Issues	3.2%
Non-Agency Mortgage-Backed Securities	1.4%

† % of Investments, at value.

§ Allocation Breakdown and % of investments exclude securities sold short and financial derivative instruments, if any.

‡ Includes Central Funds Used for Cash Management Purposes.

Average Annual Total Return for the period ended December 31, 2018

	1 Year	5 Years	10 Years	Inception≈
PIMCO CommodityRealReturn® Strategy Portfolio Institutional Class	(14.05)%	(9.23)%	—	(8.93)%
PIMCO CommodityRealReturn® Strategy Portfolio Class M	(14.33)%	—	—	(10.01)%
PIMCO CommodityRealReturn® Strategy Portfolio Administrative Class	(14.13)%	(9.35)%	(1.09)%	(1.84)%
PIMCO CommodityRealReturn® Strategy Portfolio Advisor Class	(14.20)%	(9.46)%	(1.19)%	(3.62)%
Bloomberg Commodity Index Total Return±	(11.25)%	(8.80)%	(3.78)%	(3.00)%◆

All Portfolio returns are net of fees and expenses.

≈ For class inception dates please refer to the Important Information.

◆ Average annual total return since 06/30/2004.

± Bloomberg Commodity Index Total Return is an unmanaged index composed of futures contracts on a number of physical commodities. The index is designed to be a highly liquid and diversified benchmark for commodities as an asset class. The futures exposures of the benchmark are collateralized by US T-bills.

It is not possible to invest directly in an unmanaged index.

Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Current performance may be lower or higher than performance shown. Investment return and the principal value of an investment will fluctuate. Shares may be worth more or less than original cost when redeemed. The Portfolio's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in Variable Contracts, which will reduce returns. Differences in the Portfolio's performance versus the index and related attribution information with respect to particular categories of securities or individual positions may be attributable, in part, to differences in the prices of individual positions (which may be sourced from different pricing vendors or other sources) used by the Portfolio and the index. For performance current to the most recent month-end, visit www.pimco.com/pvit or via (888) 87-PIMCO.

The Portfolio's total annual operating expense ratio in effect as of period end which includes the Acquired Fund Fees and Expenses (Commodity Subsidiary Expenses), were 1.39% for Institutional Class shares, 1.84% for Class M shares, 1.54% for Administrative Class shares, and 1.64% for Advisor Class shares. Details regarding any changes to the Portfolio's operating expenses, subsequent to peroid end, can be found in the Portfolio's current prospectus, as supplemented.

Investment Objective and Strategy Overview

PIMCO CommodityRealReturn® Strategy Portfolio seeks maximum real return, consistent with prudent investment management, by investing under normal circumstances in commodity-linked derivative instruments backed by a portfolio of inflation-indexed securities and other Fixed Income Instruments. "Fixed Income Instruments" include bonds, debt securities and other similar instruments issued by various U.S. and non-U.S. public- or private-sector entities. The Portfolio invests in commodity-linked derivative instruments, including commodity index-linked notes, swap agreements, commodity options, futures and options on futures that provide exposure to the investment returns of the commodities markets without investing directly in physical commodities. Portfolio strategies may change from time to time. Please refer to the Portfolio's current prospectus for more information regarding the Portfolio's strategy.

Portfolio Insights

The following affected performance during the reporting period:

» Exposure to commodities detracted from absolute performance as commodities, as measured by the Bloomberg Commodity Index Total Return, posted negative returns.

» The Portfolio's construction, which utilizes short-term Treasury Inflation-Protected Securities (TIPS) in lieu of Treasury Bills as collateral to back the commodity futures' exposure, detracted from relative performance as short-term TIPS underperformed Treasury Bills.

» Overweight exposure to the petroleum sector within commodities detracted from relative performance as the sector, measured by the Bloomberg Petroleum Subindex, underperformed broader commodities.

» Underweight exposure to natural gas within commodities during the end of the reporting period detracted from relative performance as the sector, measured by the Bloomberg Natural Gas Subindex, outperformed broader commodities.

» Underweight exposure to French breakeven inflation rates via inflation-linked derivatives contributed to relative performance, as French breakeven inflation rates fell.

Expense Example PIMCO CommodityRealReturn® Strategy Portfolio (Consolidated)

Example

As a shareholder of the Portfolio, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management fees, distribution and/or service (12b-1) fees (if applicable), and other Portfolio expenses. The Example is intended to help you understand your ongoing costs (in dollars) of investing in the Portfolio and to compare these costs with the ongoing costs of investing in other mutual funds.

The Expense Example does not reflect any fees or other expenses imposed by the Variable Contracts. If it did, the expenses reflected in the Expense Example would be higher. The Example is based on an investment of $1,000 invested at the beginning of the period and held from July 1, 2018 to December 31, 2018 unless noted otherwise in the table and footnotes below.

Actual Expenses

The information in the table under the heading “Actual” provides information about actual account values and actual expenses. You may use this information, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.60), then multiply the result by the number in the appropriate row for your share class, in the column titled “Expenses Paid During Period” to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The information in the table under the heading “Hypothetical (5% return before expenses)” provides information about hypothetical account values and hypothetical expenses based on the Portfolio’s actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Portfolio’s actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Portfolio and other portfolios. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other portfolios.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs. Therefore, the information under the heading “Hypothetical (5% return before expenses)” is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different portfolios. In addition, if these transactional costs were included, your costs would have been higher.

Expense ratios may vary period to period because of various factors, such as an increase in expenses that are not covered by the management fees such as fees and expenses of the independent trustees and their counsel, extraordinary expenses and interest expense.

	Actual			Hypothetical (5% return before expenses)			
	Beginning Account Value (07/01/18)	Ending Account Value (12/31/18)	Expenses Paid During Period*	Beginning Account Value (07/01/18)	Ending Account Value (12/31/18)	Expenses Paid During Period*	Net Annualized Expense Ratio**
Institutional Class	$ 1,000.00	$ 861.10	$ 8.96	$ 1,000.00	$ 1,015.58	$ 9.70	1.91%
Class M	1,000.00	860.00	11.06	1,000.00	1,013.31	11.98	2.36
Administrative Class	1,000.00	860.80	9.66	1,000.00	1,014.82	10.46	2.06
Advisor Class	1,000.00	860.50	10.13	1,000.00	1,014.32	10.97	2.16

* Expenses Paid During Period are equal to the net annualized expense ratio for the class, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period). Overall fees and expenses of investing in the Portfolio will be higher because the example does not reflect variable contract fees and expenses.

** Net Annualized Expense Ratio is reflective of any applicable contractual fee waivers and/or expense reimbursements or voluntary fee waivers. Details regarding fee waivers, if any, can be found in Note 9, Fees and Expenses, in the Notes to Financial Statements.

Financial Highlights PIMCO CommodityRealReturn® Strategy Portfolio (Consolidated)

Selected Per Share Data for the Year or Period Ended^:	Net Asset Value Beginning of Year or Period	Investment Operations: Net Investment Income (Loss)[(a)]	Investment Operations: Net Realized/ Unrealized Gain (Loss)	Investment Operations: Total	Less Distributions[(b)]: From Net Investment Income	Less Distributions[(b)]: From Net Realized Capital Gain	Less Distributions[(b)]: Total
Institutional Class							
12/31/2018	$ 7.14	$ 0.16	$ (1.14)	$ (0.98)	$ (0.16)	$ 0.00	$ (0.16)
12/31/2017	7.84	0.14	(0.01)	0.13	(0.83)	0.00	(0.83)
12/31/2016	6.89	0.13	0.91	1.04	(0.09)	0.00	(0.09)
12/31/2015~	9.68	0.04	(2.63)	(2.59)	(0.20)	0.00	(0.20)
12/31/2014~	11.92	0.12	(2.30)	(2.18)	(0.06)	0.00	(0.06)
Class M							
12/31/2018	7.12	0.13	(1.13)	(1.00)	(0.13)	0.00	(0.13)
12/31/2017	7.83	0.11	(0.01)	0.10	(0.81)	0.00	(0.81)
12/31/2016	6.89	0.24	0.76	1.00	(0.06)	0.00	(0.06)
12/31/2015~	9.72	0.03	(2.66)	(2.63)	(0.20)	0.00	(0.20)
11/10/2014 - 12/31/2014~	11.18	0.08	(1.52)	(1.44)	(0.02)	0.00	(0.02)
Administrative Class							
12/31/2018	7.16	0.15	(1.14)	(0.99)	(0.15)	0.00	(0.15)
12/31/2017	7.87	0.13	(0.01)	0.12	(0.83)	0.00	(0.83)
12/31/2016	6.91	0.12	0.92	1.04	(0.08)	0.00	(0.08)
12/31/2015~	9.72	0.02	(2.63)	(2.61)	(0.20)	0.00	(0.20)
12/31/2014~	11.96	0.12	(2.32)	(2.20)	(0.04)	0.00	(0.04)
Advisor Class							
12/31/2018	7.24	0.15	(1.16)	(1.01)	(0.14)	0.00	(0.14)
12/31/2017	7.95	0.12	(0.02)	0.10	(0.81)	0.00	(0.81)
12/31/2016	6.99	0.14	0.90	1.04	(0.08)	0.00	(0.08)
12/31/2015~	9.82	0.01	(2.64)	(2.63)	(0.20)	0.00	(0.20)
12/31/2014~	12.10	0.10	(2.34)	(2.24)	(0.04)	0.00	(0.04)

^ A zero balance may reflect actual amounts rounding to less than $0.01 or 0.01%.

* Annualized

~ A one for two reverse share split, effective August 7, 2015, has been retroactively applied.

(a) Per share amounts based on average number of shares outstanding during the year or period.

(b) The tax characterization of distributions is determined in accordance with Federal income tax regulations. See Note 2, Distributions to Shareholders, in the Notes to Financial Statements for more information.

Net Asset Value End of Year or Period	Total Return	Net Assets End of Year or Period (000s)	Ratios/Supplemental Data — Ratios to Average Net Assets: Expenses	Expenses Excluding Waivers	Expenses Excluding Interest Expense	Expenses Excluding Interest Expense and Waivers	Net Investment Income (Loss)	Portfolio Turnover Rate
$ 6.00	(14.05)%	$ 3,000	1.77%	1.92%	0.74%	0.89%	2.32%	237%
7.14	2.40	2,883	1.25	1.39	0.74	0.88	1.92	157
7.84	15.22	2,813	1.03	1.17	0.74	0.88	1.82	206
6.89	(25.57)	2,513	0.91	1.02	0.74	0.85	0.46	162
9.68	(18.35)	2,233	0.78	0.91	0.74	0.87	1.08	151
5.99	(14.33)	454	2.22	2.37	1.19	1.34	1.88	237
7.12	1.94	524	1.70	1.84	1.19	1.33	1.50	157
7.83	14.62	526	1.48	1.62	1.19	1.33	3.27	206
6.89	(25.91)	306	1.36	1.47	1.19	1.30	0.38	162
9.72	(12.91)	23	1.23*	1.36*	1.19*	1.32*	0.61*	151
6.02	(14.13)	217,121	1.92	2.07	0.89	1.04	2.19	237
7.16	2.15	263,712	1.40	1.54	0.89	1.03	1.79	157
7.87	15.16	261,084	1.18	1.32	0.89	1.03	1.62	206
6.91	(25.70)	241,100	1.06	1.17	0.89	1.00	0.22	162
9.72	(18.42)	302,303	0.93	1.06	0.89	1.02	0.94	151
6.09	(14.20)	103,329	2.02	2.17	0.99	1.14	2.09	237
7.24	2.05	124,551	1.50	1.64	0.99	1.13	1.69	157
7.95	14.87	127,029	1.28	1.42	0.99	1.13	1.82	206
6.99	(25.66)	106,999	1.16	1.27	0.99	1.10	0.14	162
9.82	(18.62)	125,905	1.03	1.16	0.99	1.12	0.85	151

Consolidated Statement of Assets and Liabilities PIMCO CommodityRealReturn® Strategy Portfolio

(Amounts in thousands†, except per share amounts)	December 31, 2018
Assets:	
Investments, at value	
Investments in securities*	$ 582,015
Investments in Affiliates	4,763
Financial Derivative Instruments	
Exchange-traded or centrally cleared	825
Over the counter	1,446
Cash	1
Deposits with counterparty	3,408
Foreign currency, at value	1,191
Receivable for investments sold	31,349
Receivable for investments sold on a delayed-delivery basis	64
Receivable for TBA investments sold	72,898
Receivable for Portfolio shares sold	726
Interest and/or dividends receivable	1,442
Dividends receivable from Affiliates	4
Reimbursement receivable from PIMCO	31
Other assets	10
Total Assets	700,173
Liabilities:	
Borrowings & Other Financing Transactions	
Payable for sale-buyback transactions	$ 229,357
Payable for short sales	6,441
Financial Derivative Instruments	
Exchange-traded or centrally cleared	998
Over the counter	17,276
Payable for investments purchased	122
Payable for investments in Affiliates purchased	4
Payable for TBA investments purchased	120,060
Deposits from counterparty	1,557
Payable for Portfolio shares redeemed	166
Accrued investment advisory fees	159
Accrued supervisory and administrative fees	79
Accrued distribution fees	22
Accrued servicing fees	28
Total Liabilities	376,269
Net Assets	$ 323,904
Net Assets Consist of:	
Paid in capital	$ 366,431
Distributable earnings (accumulated loss)	(42,527)
Net Assets	$ 323,904
Net Assets:	
Institutional Class	$ 3,000
Class M	454
Administrative Class	217,121
Advisor Class	103,329
Shares Issued and Outstanding:	
Institutional Class	500
Class M	76
Administrative Class	36,053
Advisor Class	16,955
Net Asset Value Per Share Outstanding:	
Institutional Class	$ 6.00
Class M	5.99
Administrative Class	6.02
Advisor Class	6.09
Cost of investments in securities	$ 591,381
Cost of investments in Affiliates	$ 4,762
Cost of foreign currency held	$ 1,187
Proceeds received on short sales	$ 6,272
Cost or premiums of financial derivative instruments, net	$ 679
* Includes repurchase agreements of:	$ 29,836

† A zero balance may reflect actual amounts rounding to less than one thousand.

Consolidated Statement of Operations PIMCO CommodityRealReturn® Strategy Portfolio

(Amounts in thousands†)	Year Ended December 31, 2018
Investment Income:	
Interest	$ 15,646
Dividends from Investments in Affiliates	35
Total Income	15,681
Expenses:	
Investment advisory fees	2,268
Supervisory and administrative fees	1,116
Distribution and/or servicing fees - Class M	2
Servicing fees - Administrative Class	385
Distribution and/or servicing fees - Advisor Class	303
Trustee fees	11
Interest expense	3,918
Total Expenses	8,003
Waiver and/or Reimbursement by PIMCO	(563)
Net Expenses	7,440
Net Investment Income (Loss)	8,241
Net Realized Gain (Loss):	
Investments in securities	(7,681)
Investments in Affiliates	3
Exchange-traded or centrally cleared financial derivative instruments	3,291
Over the counter financial derivative instruments	(15,561)
Short sales	(2)
Foreign currency	(307)
Net Realized Gain (Loss)	(20,257)
Net Change in Unrealized Appreciation (Depreciation):	
Investments in securities	(9,250)
Investments in Affiliates	(2)
Exchange-traded or centrally cleared financial derivative instruments	(1,780)
Over the counter financial derivative instruments	(31,226)
Foreign currency assets and liabilities	1
Net Change in Unrealized Appreciation (Depreciation)	(42,257)
Net Increase (Decrease) in Net Assets Resulting from Operations	$ (54,273)

† A zero balance may reflect actual amounts rounding to less than one thousand.

Consolidated Statements of Changes in Net Assets PIMCO CommodityRealReturn® Strategy Portfolio

(Amounts in thousands†)	Year Ended December 31, 2018	Year Ended December 31, 2017
Increase (Decrease) in Net Assets from:		
Operations:		
Net investment income (loss)	$ 8,241	$ 6,658
Net realized gain (loss)	(20,257)	(13,141)
Net change in unrealized appreciation (depreciation)	(42,257)	14,934
Net Increase (Decrease) in Net Assets Resulting from Operations	(54,273)	8,451
Distributions to Shareholders:		
From net investment income and/or net realized capital gains*		
Institutional Class	(67)	(287)
Class M	(9)	(57)
Administrative Class	(5,381)	(28,472)
Advisor Class	(2,395)	(13,385)
Total Distributions(a)	(7,852)	(42,201)
Portfolio Share Transactions:		
Net increase (decrease) resulting from Portfolio share transactions**	(5,641)	33,968
Total Increase (Decrease) in Net Assets	(67,766)	218
Net Assets:		
Beginning of year	391,670	391,452
End of year	$ 323,904	$ 391,670

† A zero balance may reflect actual amounts rounding to less than one thousand.
* See Note 2, New Accounting Pronouncements, in the Notes to Financial Statements for more information.
** See Note 13, Shares of Beneficial Interest, in the Notes to Financial Statements.
(a) The tax characterization of distributions is determined in accordance with Federal income tax regulations. See Note 2, Distributions to Shareholders, in the Notes to Financial Statements for more information.

Consolidated Statement of Cash Flows PIMCO CommodityRealReturn® Strategy Portfolio

(Amounts in thousands†)	Year Ended December 31, 2018
Cash Flows Provided by (Used for) Operating Activities:	
Net increase (decrease) in net assets resulting from operations	$ (54,273)
Adjustments to Reconcile Net Increase (Decrease) in Net Assets from Operations to Net Cash Provided by (Used for) Operating Activities:	
Purchases of long-term securities	(1,200,899)
Proceeds from sales of long-term securities	1,212,532
(Purchases) Proceeds from sales of short-term portfolio investments, net	14,203
(Increase) decrease in deposits with counterparty	(310)
(Increase) decrease in receivable for investments sold	569
(Increase) decrease in interest and/or dividends receivable	347
(Increase) decrease in dividends receivable from Affiliates	2
Proceeds from (Payments on) exchange-traded or centrally cleared financial derivative instruments	1,656
Proceeds from (Payments on) over the counter financial derivative instruments	(15,310)
(Increase) decrease in reimbursement receivable from PIMCO	17
Increase (decrease) in payable for investments purchased	16,158
Increase (decrease) in deposits from counterparty	(14,317)
Increase (decrease) in accrued investment advisory fees	(37)
Increase (decrease) in accrued supervisory and administrative fees	(18)
Increase (decrease) in accrued distribution fees	(5)
Increase (decrease) in accrued servicing fees	(5)
Proceeds from (Payments on) short sales transactions, net	(5,201)
Proceeds from (Payments on) foreign currency transactions	(306)
Increase (decrease) in other liabilities	(2)
Net Realized (Gain) Loss	
Investments in securities	7,681
Investments in Affiliates	(3)
Exchange-traded or centrally cleared financial derivative instruments	(3,291)
Over the counter financial derivative instruments	15,561
Short sales	2
Foreign currency	307
Net Change in Unrealized (Appreciation) Depreciation	
Investments in securities	9,250
Investments in Affiliates	2
Exchange-traded or centrally cleared financial derivative instruments	1,780
Over the counter financial derivative instruments	31,226
Foreign currency assets and liabilities	(1)
Net amortization (accretion) on investments	182
Net Cash Provided by (Used for) Operating Activities	17,497
Cash Flows Received from (Used for) Financing Activities:	
Proceeds from shares sold	76,831
Payments on shares redeemed	(91,202)
Cash distributions paid*	0
Proceeds from reverse repurchase agreements	6,566
Payments on reverse repurchase agreements	(30,403)
Proceeds from sale-buyback transactions	3,426,843
Payments on sale-buyback transactions	(3,405,395)
Net Cash Received from (Used for) Financing Activities	(16,760)
Net Increase (Decrease) in Cash and Foreign Currency	737
Cash and Foreign Currency:	
Beginning of year	455
End of year	$ 1,192
* Reinvestment of distributions	$ 7,852
Supplemental Disclosure of Cash Flow Information:	
Interest expense paid during the year	$ 3,953

† A zero balance may reflect actual amounts rounding to less than one thousand.
A Statement of Cash Flows is presented when the Portfolio has a significant amount of borrowing during the year, based on the average total borrowing outstanding in relation to total assets or when substantially all of the Portfolio's investments are not classified as Level 1 or 2 in the fair value hierarchy.

(Amounts in thousands*, except number of shares, contracts and units, if any)

		PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
INVESTMENTS IN SECURITIES 179.7%			
CORPORATE BONDS & NOTES 13.5%			
BANKING & FINANCE 6.4%			
AerCap Ireland Capital DAC			
3.750% due 05/15/2019	$	100	$ 100
4.250% due 07/01/2020		700	702
4.625% due 10/30/2020		100	101
Aircastle Ltd.			
5.125% due 03/15/2021		1,000	1,017
7.625% due 04/15/2020		600	628
Banco Bilbao Vizcaya Argentaria S.A.			
6.750% due 02/18/2020 •(f)(g)	EUR	400	455
Bank of America Corp.			
5.875% due 03/15/2028 •(f)	$	230	210
Bank of Ireland			
7.375% due 06/18/2020 •(f)(g)	EUR	200	240
Cooperatieve Rabobank UA			
5.500% due 06/29/2020 •(f)(g)		200	235
6.625% due 06/29/2021 •(f)(g)		200	249
Credit Suisse Group Funding Guernsey Ltd.			
3.800% due 09/15/2022	$	1,100	1,093
Deutsche Bank AG			
4.250% due 10/14/2021		1,600	1,565
Ford Motor Credit Co. LLC			
0.054% due 12/01/2021 •	EUR	900	963
3.200% due 01/15/2021	$	2,100	2,036
Goldman Sachs Group, Inc.			
3.988% (US0003M + 1.200%) due 09/15/2020 ~		1,400	1,407
ING Bank NV			
2.625% due 12/05/2022		500	493
John Deere Capital Corp.			
3.114% (US0003M + 0.290%) due 06/22/2020 ~		1,200	1,201
Lloyds Banking Group PLC			
3.590% (US0003M + 0.800%) due 06/21/2021 ~		500	495
7.000% due 06/27/2019 •(f)(g)	GBP	200	255
Macquarie Bank Ltd.			
2.758% (US0003M + 0.350%) due 04/04/2019 ~	$	700	700
Mitsubishi UFJ Financial Group, Inc.			
4.618% (US0003M + 1.880%) due 03/01/2021 ~		247	253
National Rural Utilities Cooperative Finance Corp.			
3.178% (US0003M + 0.375%) due 06/30/2021 ~		200	199
Royal Bank of Scotland Group PLC			
4.372% (US0003M + 1.550%) due 06/25/2024 ~		400	382
4.519% due 06/25/2024 •		300	295
State Bank of India			
3.358% (US0003M + 0.950%) due 04/06/2020 ~		800	801
Toronto-Dominion Bank			
2.250% due 03/15/2021		800	789
UBS AG			
3.347% due 06/08/2020 •		1,000	1,000
Unibail-Rodamco SE			
3.206% (US0003M + 0.770%) due 04/16/2019 ~		800	801
UniCredit SpA			
7.830% due 12/04/2023		2,000	2,094
			20,759
INDUSTRIALS 4.9%			
BAT Capital Corp.			
2.297% due 08/14/2020		900	879
3.204% due 08/14/2020 •		600	594
Bayer U.S. Finance LLC			
3.452% (US0003M + 0.630%) due 06/25/2021 ~		2,100	2,073
Charter Communications Operating LLC			
3.579% due 07/23/2020	$	2,700	$ 2,698
Dell International LLC			
4.420% due 06/15/2021		900	900
DISH DBS Corp.			
5.125% due 05/01/2020		500	495
Dominion Energy Gas Holdings LLC			
3.388% (US0003M + 0.600%) due 06/15/2021 ~		600	599
Enbridge, Inc.			
2.814% (US0003M + 0.400%) due 01/10/2020 ~		600	598
3.488% (US0003M + 0.700%) due 06/15/2020 ~		900	897
Fresenius Medical Care U.S. Finance, Inc.			
5.750% due 02/15/2021		1,000	1,030
Hyundai Capital America			
2.000% due 07/01/2019		200	199
Keurig Dr Pepper, Inc.			
3.551% due 05/25/2021		2,800	2,797
4.057% due 05/25/2023		100	100
Kraft Heinz Foods Co.			
2.800% due 07/02/2020		800	793
Mondelez International Holdings Netherlands BV			
2.000% due 10/28/2021		500	479
Spectra Energy Partners LP			
3.451% (US0003M + 0.700%) due 06/05/2020 ~		100	99
Textron, Inc.			
3.168% (US0003M + 0.550%) due 11/10/2020 ~		690	684
			15,914
UTILITIES 2.2%			
AT&T, Inc.			
3.386% (US0003M + 0.950%) due 07/15/2021 ~		1,100	1,097
3.488% (US0003M + 0.750%) due 06/01/2021 ~		600	596
5.150% due 02/15/2050		300	279
5.300% due 08/15/2058		100	93
Consolidated Edison Co. of New York, Inc.			
3.222% (US0003M + 0.400%) due 06/25/2021 ~		200	198
Duke Energy Corp.			
3.114% (US0003M + 0.500%) due 05/14/2021 ~		1,200	1,195
NextEra Energy Capital Holdings, Inc.			
3.053% (US0003M + 0.315%) due 09/03/2019 ~		690	689
3.107% (US0003M + 0.400%) due 08/21/2020 ~		700	699
Petrobras Global Finance BV			
5.999% due 01/27/2028		883	834
6.125% due 01/17/2022		238	245
6.625% due 01/16/2034	GBP	100	128
Sempra Energy			
3.238% (US0003M + 0.450%) due 03/15/2021 ~	$	300	294
Southern Power Co.			
3.342% (US0003M + 0.550%) due 12/20/2020 ~		300	297
Sprint Capital Corp.			
6.900% due 05/01/2019		300	303
			6,947
Total Corporate Bonds & Notes (Cost $44,034)			**43,620**
U.S. GOVERNMENT AGENCIES 18.1%			
Fannie Mae			
2.856% due 05/25/2042 •		4	4
3.253% due 10/01/2044 •		4	4
4.079% due 01/01/2036 •		49	51
4.120% due 05/25/2035 ~		22	24
4.468% due 07/01/2035 •	$	13	$ 13
4.490% due 11/01/2034 •		18	19
4.780% due 11/01/2035 •		16	16
Fannie Mae, TBA			
3.500% due 02/01/2034 - 02/01/2049		30,580	30,579
4.000% due 02/01/2049		23,700	24,149
Freddie Mac			
2.636% due 08/25/2031 •		1	1
2.649% due 07/15/2044 •		623	621
2.905% due 08/15/2033 - 09/15/2042 •		1,178	1,180
3.156% due 02/25/2045 •		52	52
4.251% due 07/01/2036 •		96	100
4.254% due 09/01/2036 •		88	91
4.331% due 01/01/2034 •		5	5
4.447% due 10/01/2036 •		63	66
Ginnie Mae			
3.247% due 04/20/2067 •		474	487
NCUA Guaranteed Notes			
2.830% due 10/07/2020 •		246	246
2.940% due 12/08/2020 •		702	706
Small Business Administration			
5.510% due 11/01/2027		128	136
Total U.S. Government Agencies (Cost $58,009)			**58,550**
U.S. TREASURY OBLIGATIONS 112.0%			
U.S. Treasury Bonds			
3.000% due 05/15/2045 (m)		80	80
U.S. Treasury Inflation Protected Securities (e)			
0.125% due 04/15/2019 (i)		52,087	51,358
0.125% due 04/15/2020 (i)		91,109	89,090
0.125% due 04/15/2021 (i)		41,751	40,620
0.125% due 01/15/2022 (i)(m)		872	846
0.125% due 04/15/2022 (i)(m)		19,393	18,768
0.125% due 07/15/2022		2,636	2,561
0.125% due 01/15/2023		2,696	2,605
0.125% due 07/15/2024		4,291	4,116
0.125% due 07/15/2026		3,851	3,618
0.250% due 01/15/2025		7,523	7,207
0.375% due 07/15/2023		7,268	7,108
0.375% due 07/15/2025		4,709	4,543
0.375% due 07/15/2025 (k)(m)		2,453	2,366
0.375% due 01/15/2027 (i)(m)		1,193	1,134
0.500% due 01/15/2028 (i)		18,892	18,042
0.625% due 07/15/2021		4,389	4,342
0.625% due 04/15/2023		3,136	3,085
0.625% due 01/15/2024		4,036	3,974
0.625% due 01/15/2026 (i)		11,824	11,518
0.625% due 02/15/2043 (i)(m)		154	135
0.750% due 07/15/2028		2,257	2,211
0.750% due 02/15/2045 (i)		2,255	2,022
0.875% due 02/15/2047		3,153	2,902
1.000% due 02/15/2048		1,971	1,872
1.250% due 07/15/2020 (i)		29,012	28,957
1.375% due 01/15/2020		4,278	4,252
1.375% due 02/15/2044 (i)(m)		543	562
1.375% due 02/15/2044 (m)		109	112
1.750% due 01/15/2028		5,882	6,251
1.875% due 07/15/2019 (k)		4,678	4,664
2.000% due 01/15/2026		4,577	4,886
2.125% due 02/15/2040 (i)		410	483
2.125% due 02/15/2041 (m)		1,016	1,203
2.375% due 01/15/2025 (i)		14,355	15,527
2.375% due 01/15/2027 (m)		125	139
2.500% due 01/15/2029		5,647	6,433
3.375% due 04/15/2032 (i)		1,664	2,138
3.875% due 04/15/2029		785	1,000
3.875% due 04/15/2029 (m)		154	196
Total U.S. Treasury Obligations (Cost $371,176)			**362,926**
NON-AGENCY MORTGAGE-BACKED SECURITIES 2.5%			
Alliance Bancorp Trust			
2.746% due 07/25/2037 •		224	198

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Banc of America Mortgage Trust		
4.368% due 06/25/2035 ~	$ 56	$ 52
4.521% due 11/25/2035 ^~	17	17
4.871% due 11/25/2034 ~	17	18
BCAP LLC Trust		
5.250% due 08/26/2037 ~	286	291
Bear Stearns Adjustable Rate Mortgage Trust		
3.903% due 03/25/2035 ~	53	51
4.176% due 07/25/2036 ^~	58	54
4.810% due 01/25/2035 ~	159	160
Citigroup Mortgage Loan Trust		
4.238% due 09/25/2037 ^~	286	275
Civic Mortgage LLC		
4.349% due 11/25/2022 Ø	714	715
Countrywide Alternative Loan Trust		
2.626% due 06/25/2036 •	749	696
2.665% due 12/20/2046 ^•	1,109	980
6.000% due 02/25/2037 ^	176	125
Countrywide Home Loan Mortgage Pass-Through Trust		
3.910% due 08/25/2034 ^~	17	16
4.531% due 11/19/2033 ~	1	1
Credit Suisse Mortgage Capital Certificates		
2.656% due 09/29/2036 •	741	696
5.624% due 10/26/2036 ~	77	69
Eurosail PLC		
1.850% due 06/13/2045 •	GBP 352	441
First Horizon Alternative Mortgage Securities Trust		
4.290% due 06/25/2034 ~	$ 9	9
6.000% due 02/25/2037 ^	60	46
GreenPoint Mortgage Funding Trust		
2.686% due 09/25/2046 •	150	140
3.046% due 11/25/2045 •	8	7
GS Mortgage Securities Trust		
3.849% due 12/10/2043	207	208
GSR Mortgage Loan Trust		
4.807% due 01/25/2035 ~	23	23
HarborView Mortgage Loan Trust		
2.710% due 03/19/2036 ^•	42	39
HomeBanc Mortgage Trust		
2.836% due 10/25/2035 •	62	62
IndyMac Mortgage Loan Trust		
4.460% due 11/25/2035 ^~	48	47
JPMorgan Mortgage Trust		
4.336% due 02/25/2035 ~	68	68
4.452% due 07/25/2035 ~	27	28
4.603% due 08/25/2035 ~	44	44
MASTR Adjustable Rate Mortgages Trust		
4.438% due 11/21/2034 ~	19	19
Mellon Residential Funding Corp. Mortgage Pass-Through Certificates		
3.195% due 09/15/2030 •	108	106
Residential Accredit Loans, Inc. Trust		
3.517% due 09/25/2045 •	109	102
Residential Asset Securitization Trust		
2.906% due 05/25/2035 •	87	75
Sequoia Mortgage Trust		
2.670% due 07/20/2036 •	201	192
Structured Adjustable Rate Mortgage Loan Trust		
3.557% due 01/25/2035 ^•	11	10
4.232% due 02/25/2034 ~	11	11
4.436% due 12/25/2034 ~	10	10
Structured Asset Mortgage Investments Trust		
2.716% due 04/25/2036 •	15	14
3.130% due 10/19/2034 •	14	14
Vornado DP LLC Trust		
4.004% due 09/13/2028	1,500	1,529
WaMu Mortgage Pass-Through Certificates Trust		
2.927% due 05/25/2047 •	199	187
3.918% due 08/25/2035 ~	12	11
4.062% due 12/25/2035 ~	108	104
Washington Mutual Mortgage Pass-Through Certificates Trust		
6.500% due 08/25/2035	19	16
Wells Fargo Mortgage-Backed Securities Trust		
4.168% due 06/25/2033 ~	$ 28	$ 28
4.649% due 03/25/2036 ^~	80	78
Total Non-Agency Mortgage-Backed Securities (Cost $7,667)		**8,082**

ASSET-BACKED SECURITIES 8.8%

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Argent Mortgage Loan Trust		
2.986% due 05/25/2035 •	107	102
Argent Securities Trust		
2.656% due 07/25/2036 •	394	331
Atrium Corp.		
3.299% due 04/22/2027 •	400	395
Black Diamond CLO Designated Activity Co.		
0.650% due 10/03/2029 •	EUR 350	396
Brookside Mill CLO Ltd.		
3.269% due 01/17/2028 •	$ 2,060	2,037
Catamaran CLO Ltd.		
3.359% due 01/27/2028 •	600	596
CIFC Funding Ltd.		
3.216% due 04/15/2027 •	640	635
CIT Mortgage Loan Trust		
3.856% due 10/25/2037 •	638	646
Citigroup Mortgage Loan Trust		
2.736% due 12/25/2036 •	51	36
Citigroup Mortgage Loan Trust, Inc.		
2.836% due 10/25/2036 •	400	379
CoreVest American Finance Trust		
2.968% due 10/15/2049	164	160
Countrywide Asset-Backed Certificates		
2.696% due 11/25/2037 •	969	921
2.756% due 03/25/2037 •	200	188
3.915% due 04/25/2036 ~	6	6
Credit Suisse Mortgage Capital Trust		
4.500% due 03/25/2021	272	273
Credit-Based Asset Servicing & Securitization LLC		
2.626% due 07/25/2037 •	14	9
2.726% due 07/25/2037 •	59	38
Flagship Ltd.		
3.589% due 01/20/2026 •	362	362
Fremont Home Loan Trust		
2.641% due 10/25/2036 •	144	134
GSAMP Trust		
2.576% due 12/25/2036 •	58	34
3.481% due 03/25/2035 ^•	133	115
Halcyon Loan Advisors Funding Ltd.		
3.389% due 04/20/2027 •	300	298
IndyMac Mortgage Loan Trust		
2.576% due 07/25/2036 •	283	124
Jamestown CLO Ltd.		
3.126% due 07/15/2026 •	497	495
3.320% due 07/25/2027 •	250	248
3.669% due 01/17/2027 •	961	960
Jubilee CLO BV		
0.489% due 12/15/2029 •	EUR 1,950	2,214
Lehman XS Trust		
2.666% due 05/25/2036 •	$ 164	162
5.012% due 06/25/2036 Ø	155	140
Long Beach Mortgage Loan Trust		
2.626% due 08/25/2036 •	646	342
Marathon CLO Ltd.		
3.516% due 11/21/2027 •	1,920	1,897
Morgan Stanley Mortgage Loan Trust		
5.910% due 11/25/2036 Ø	826	399
6.000% due 02/25/2037 ^~	88	69
Navient Student Loan Trust		
3.656% due 03/25/2066 •	527	529
OCP CLO Ltd.		
3.236% due 07/15/2027 •	300	298
3.328% due 10/26/2027 •	1,020	1,013
Renaissance Home Equity Loan Trust		
3.606% due 09/25/2037 •	1,082	582
Residential Asset Securities Corp. Trust		
2.736% due 06/25/2036 •	$ 400	$ 386
2.836% due 04/25/2036 •	200	198
Saxon Asset Securities Trust		
2.816% due 09/25/2047 •	241	233
Securitized Asset-Backed Receivables LLC Trust		
2.656% due 07/25/2036 •	367	202
2.756% due 05/25/2036 •	634	404
SLM Private Education Loan Trust		
1.850% due 06/17/2030	143	143
4.705% due 06/16/2042 •	220	224
SLM Student Loan Trust		
0.000% due 12/15/2023 •	EUR 9	10
0.000% due 01/25/2024 •	220	251
0.000% due 06/17/2024 •	76	86
2.530% due 04/25/2019 •	$ 321	321
3.040% due 10/25/2064 •	500	502
3.990% due 04/25/2023 •	1,629	1,639
SoFi Professional Loan Program LLC		
2.050% due 01/25/2041	467	462
Sound Point CLO Ltd.		
3.296% due 04/15/2027 •	800	796
Soundview Home Loan Trust		
2.706% due 06/25/2037 •	863	642
Structured Asset Securities Corp. Mortgage Loan Trust		
3.849% due 04/25/2035 •	183	179
THL Credit Wind River CLO Ltd.		
3.306% due 10/15/2027 •	500	500
Venture CLO Ltd.		
3.256% due 04/15/2027 •	940	933
3.316% due 07/15/2027 •	400	396
3.650% due 10/22/2031 •	500	500
Vericrest Opportunity Loan Transferee LLC		
3.125% due 09/25/2047 Ø	363	361
3.250% due 06/25/2047 Ø	126	126
Voya CLO Ltd.		
3.210% due 07/25/2026 •	627	626
Z Capital Credit Partners CLO Ltd.		
3.386% due 07/16/2027 •	710	706
Total Asset-Backed Securities (Cost $28,519)		**28,389**

SOVEREIGN ISSUES 5.8%

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Argentina Government International Bond		
5.875% due 01/11/2028	300	217
6.875% due 01/26/2027	910	697
41.328% (BADLARPP) due 10/04/2022 ~	ARS 100	4
50.225% (BADLARPP + 2.000%) due 04/03/2022 ~(a)	3,233	83
59.257% (ARLLMONP) due 06/21/2020 ~(a)	16,487	472
Australia Government International Bond		
1.250% due 02/21/2022	AUD 1,798	1,293
3.000% due 09/20/2025	2,059	1,673
Autonomous Community of Catalonia		
4.950% due 02/11/2020	EUR 100	119
Brazil Letras do Tesouro Nacional		
0.000% due 04/01/2019 (c)	BRL 1,110	282
Canadian Government Real Return Bond		
4.250% due 12/01/2026 (e)	CAD 916	860
France Government International Bond		
1.850% due 07/25/2027 (e)	EUR 445	621
Italy Buoni Poliennali Del Tesoro		
1.650% due 04/23/2020	199	233
2.350% due 09/15/2024 (e)	377	456
Japan Government International Bond		
0.100% due 03/10/2028 (e)	JPY 100,807	949
Mexico Government International Bond		
7.750% due 05/29/2031	MXN 7,972	374
New Zealand Government International Bond		
2.000% due 09/20/2025	NZD 2,712	1,922
Peru Government International Bond		
5.940% due 02/12/2029	PEN 1,000	303

See Accompanying Notes

		PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Qatar Government International Bond			
3.875% due 04/23/2023		$ 400	$ 405
5.103% due 04/23/2048		300	316
Saudi Government International Bond			
4.000% due 04/17/2025		260	258
United Kingdom Gilt			
0.125% due 03/22/2026 (e)	GBP	2,093	3,116
0.125% due 03/22/2046 (e)		64	127
0.125% due 08/10/2048 (e)		135	278
0.125% due 11/22/2056 (e)		43	99
0.125% due 11/22/2065 (e)		208	551
0.750% due 11/22/2047 (e)		219	512
1.750% due 09/07/2037		1,190	1,519
1.875% due 11/22/2022 (e)		374	556
4.250% due 12/07/2027		300	483
Total Sovereign Issues (Cost $20,300)			**18,778**
SHORT-TERM INSTRUMENTS 19.0%			
CERTIFICATES OF DEPOSIT 0.7%			
Barclays Bank PLC			
2.890% (US0003M + 0.400%) due 10/25/2019 ~		$ 2,400	2,401
COMMERCIAL PAPER 1.3%			
Bank of Montreal			
2.038% due 01/03/2019	CAD	800	586
2.068% due 01/04/2019		300	220
C.I.B.C.			
2.060% due 01/03/2019	CAD	1,400	$ 1,025
Toronto-Dominion Bank			
2.055% due 01/02/2019		2,700	1,978
2.063% due 01/03/2019		500	366
			4,175
REPURCHASE AGREEMENTS (h) 9.2%			
			29,836
ARGENTINA TREASURY BILLS 0.1%			
(7.382)% due 02/28/2019 - 04/30/2019 (b)(c)	ARS	5,968	179
JAPAN TREASURY BILLS 2.0%			
(0.321)% due 02/04/2019 (c)(d)	JPY	730,000	6,661
U.S. TREASURY BILLS 5.7%			
2.298% due 01/03/2019 - 02/26/2019 (b)(c)(m)		$ 18,436	18,418
Total Short-Term Instruments (Cost $61,676)			**61,670**
Total Investments in Securities (Cost $591,381)			**582,015**

	SHARES	MARKET VALUE (000S)
INVESTMENTS IN AFFILIATES 1.5%		
SHORT-TERM INSTRUMENTS 1.5%		
CENTRAL FUNDS USED FOR CASH MANAGEMENT PURPOSES 1.5%		
PIMCO Short-Term Floating NAV Portfolio III	481,857	$ 4,763
Total Short-Term Instruments (Cost $4,762)		**4,763**
Total Investments in Affiliates (Cost $4,762)		**4,763**
Total Investments 181.2% (Cost $596,143)		**$ 586,778**
Financial Derivative Instruments (j)(l) (4.9)% (Cost or Premiums, net $679)		**(16,003)**
Other Assets and Liabilities, net (76.3)%		**(246,871)**
Net Assets 100.0%		**$ 323,904**

NOTES TO CONSOLIDATED SCHEDULE OF INVESTMENTS:

- * A zero balance may reflect actual amounts rounding to less than one thousand.
- ^ Security is in default.
- ~ Variable or Floating rate security. Rate shown is the rate in effect as of period end. Certain variable rate securities are not based on a published reference rate and spread, rather are determined by the issuer or agent and are based on current market conditions. Reference rate is as of reset date, which may vary by security. These securities may not indicate a reference rate and/or spread in their description.
- • Rate shown is the rate in effect as of period end. The rate may be based on a fixed rate, a capped rate or a floor rate and may convert to a variable or floating rate in the future. These securities do not indicate a reference rate and spread in their description.
- Ø Coupon represents a rate which changes periodically based on a predetermined schedule or event. Rate shown is the rate in effect as of period end.
- (a) Interest only security.
- (b) Coupon represents a weighted average yield to maturity.
- (c) Zero coupon security.
- (d) Coupon represents a yield to maturity.
- (e) Principal amount of security is adjusted for inflation.
- (f) Perpetual maturity; date shown, if applicable, represents next contractual call date.
- (g) Contingent convertible security.

BORROWINGS AND OTHER FINANCING TRANSACTIONS

(h) REPURCHASE AGREEMENTS:

Counterparty	Lending Rate	Settlement Date	Maturity Date	Principal Amount	Collateralized By	Collateral (Received)	Repurchase Agreements, at Value	Repurchase Agreement Proceeds to be Received[1]
BPS	3.100%	12/31/2018	01/02/2019	$ 10,400	U.S. Treasury Notes 2.750% due 02/15/2024	$ (10,642)	$ 10,400	$ 10,402
FICC	2.000	12/31/2018	01/02/2019	310	U.S. Treasury Notes 2.875% due 09/30/2023	(316)	310	310
SAL	3.150	12/31/2018	01/02/2019	10,400	U.S. Treasury Notes 2.125% due 11/30/2024	(10,649)	10,400	10,402
SSB	1.350	12/31/2018	01/02/2019	1,126	U.S. Treasury Notes 2.000% due 08/31/2021[2]	(1,152)	1,126	1,126
TDM	3.130	12/31/2018	01/02/2019	7,600	U.S. Treasury Notes 2.000% due 04/30/2024	(7,808)	7,600	7,601
Total Repurchase Agreements						**$ (30,567)**	**$ 29,836**	**$ 29,841**

SALE-BUYBACK TRANSACTIONS:

Counterparty	Borrowing Rate[3]	Borrowing Date	Maturity Date	Amount Borrowed[3]	Payable for Sale-Buyback Transactions[4]
BCY	2.570%	11/19/2018	01/18/2019	$ (8,065)	$ (8,090)
BPG	2.980	01/02/2019	01/03/2019	(31,324)	(31,324)
MSC	2.520	11/06/2018	01/07/2019	(8,169)	(8,202)
	2.800	12/11/2018	01/11/2019	(10,647)	(10,665)
	3.040	12/17/2018	01/07/2019	(2,338)	(2,341)
	3.100	12/18/2018	01/02/2019	(878)	(879)
TDM	2.420	10/16/2018	01/14/2019	(148,301)	(149,079)
	2.450	10/17/2018	01/17/2019	(6,550)	(6,584)
	2.500	11/01/2018	01/31/2019	(12,141)	(12,193)
Total Sale-Buyback Transactions					**$ (229,357)**

SHORT SALES:

Description	Coupon	Maturity Date	Principal Amount	Proceeds	Payable for Short Sales
U.S. Government Agencies (2.0)% Fannie Mae, TBA	3.000%	01/01/2049	$ 6,600	$ (6,272)	$ (6,441)
Total Short Sales (2.0)%				**$ (6,272)**	**$ (6,441)**

BORROWINGS AND OTHER FINANCING TRANSACTIONS SUMMARY

The following is a summary by counterparty of the market value of Borrowings and Other Financing Transactions and collateral pledged/(received) as of December 31, 2018:

Counterparty	Repurchase Agreement Proceeds to be Received[1]	Payable for Reverse Repurchase Agreements	Payable for Sale-Buyback Transactions[4]	Total Borrowings and Other Financing Transactions	Collateral Pledged/(Received)	Net Exposure[5]
Global/Master Repurchase Agreement						
BPS	$ 10,402	$ 0	$ 0	$ 10,402	$ (10,642)	$ (240)
FICC	310	0	0	310	(316)	(6)
SAL	10,402	0	0	10,402	(10,649)	(247)
SSB	1,126	0	0	1,126	(1,152)	(26)
TDM	7,601	0	0	7,601	(7,808)	(207)
Master Securities Forward Transaction Agreement						
BCY	0	0	(8,090)	(8,090)	7,986	(104)
BPG	0	0	(31,324)	(31,324)	31,204	(120)
MSC	0	0	(22,087)	(22,087)	22,000	(87)
TDM	0	0	(167,856)	(167,856)	167,964	108
Total Borrowings and Other Financing Transactions	**$ 29,841**	**$ 0**	**$ (229,357)**			

CERTAIN TRANSFERS ACCOUNTED FOR AS SECURED BORROWINGS

Remaining Contractual Maturity of the Agreements

	Overnight and Continuous	Up to 30 days	31-90 days	Greater Than 90 days	Total
Sale-Buyback Transactions					
U.S. Treasury Obligations	$ 0	$ (217,164)	$ (12,193)	$ 0	$ (229,357)
Total Borrowings	**$ 0**	**$ (217,164)**	**$ (12,193)**	**$ 0**	**$ (229,357)**
Payable for sale-buyback financing transactions					**$ (229,357)**

(i) Securities with an aggregate market value of $229,153 have been pledged as collateral under the terms of the above master agreements as of December 31, 2018.

(1) Includes accrued interest.

(2) Collateral is held in custody by the counterparty.

(3) The average amount of borrowings outstanding during the period ended December 31, 2018 was $(191,599) at a weighted average interest rate of 1.964%. Average borrowings may include sale-buyback transactions and reverse repurchase agreements, if held during the period.

(4) Payable for sale-buyback transactions includes $(174) of deferred price drop.

(5) Net Exposure represents the net receivable/(payable) that would be due from/to the counterparty in the event of default. Exposure from borrowings and other financing transactions can only be netted across transactions governed under the same master agreement with the same legal entity. See Note 8, Master Netting Arrangements, in the Notes to Financial Statements for more information regarding master netting arrangements.

(j) FINANCIAL DERIVATIVE INSTRUMENTS: EXCHANGE-TRADED OR CENTRALLY CLEARED

PURCHASED OPTIONS:

OPTIONS ON EXCHANGE-TRADED FUTURES CONTRACTS

Description	Strike Price	Expiration Date	# of Contracts	Notional Amount	Cost	Market Value
Put - CBOT U.S. Treasury 10-Year Note March 2019 Futures	$ 106.000	02/22/2019	19	$ 19	$ 0	$ 0
Put - CBOT U.S. Treasury 10-Year Note March 2019 Futures	106.500	02/22/2019	90	90	1	0
Put - CBOT U.S. Treasury 10-Year Note March 2019 Futures	107.000	02/22/2019	1	1	0	0
Put - CBOT U.S. Treasury 2-Year Note March 2019 Futures	103.375	02/22/2019	5	10	0	0
Call - CBOT U.S. Treasury 30-Year Bond March 2019 Futures	169.000	02/22/2019	3	3	0	0
Call - CBOT U.S. Treasury 30-Year Bond March 2019 Futures	171.000	02/22/2019	202	202	2	3
Call - CBOT U.S. Treasury 30-Year Bond March 2019 Futures	180.000	02/22/2019	1	1	0	0
Call - CBOT U.S. Treasury 30-Year Bond March 2019 Futures	185.000	02/22/2019	9	9	0	0
Put - CBOT U.S. Treasury 5-Year Note March 2019 Futures	103.750	02/22/2019	4	4	0	0
Put - CBOT U.S. Treasury 5-Year Note March 2019 Futures	104.000	02/22/2019	180	180	1	0
Call - CBOT U.S. Treasury Ultra Long-Term Bond March 2019 Futures	200.000	02/22/2019	1	1	0	0
Total Purchased Options					**$ 4**	**$ 3**

WRITTEN OPTIONS:

COMMODITY OPTIONS

Description	Strike Price	Expiration Date	# of Contracts	Notional Amount	Premiums (Received)	Market Value
Put - CBOT Corn July 2019 Futures	$ 390.000	06/21/2019	2	$ 10	$ (2)	$ (2)
Call - NYMEX Crude February 2019 Futures	65.000	01/16/2019	12	12	(12)	0
Call - NYMEX Crude March 2019 Futures	58.500	02/14/2019	12	12	(13)	(4)
Put - NYMEX Natural Gas February 2019 Futures	3.200	01/28/2019	1	10	(1)	(4)
Put - NYMEX Natural Gas February 2019 Futures	3.250	01/28/2019	1	10	(1)	(4)
Put - NYMEX Natural Gas March 2019 Futures	2.850	02/25/2019	12	120	(15)	(27)
Put - NYMEX Natural Gas March 2019 Futures	3.150	02/25/2019	1	10	(2)	(4)
Put - NYMEX Natural Gas March 2019 Futures	3.250	02/25/2019	2	20	(5)	(10)
Put - NYMEX Natural Gas March 2019 Futures	3.500	02/25/2019	1	10	(4)	(7)
					$ (55)	$ (62)

OPTIONS ON EXCHANGE-TRADED FUTURES CONTRACTS

Description	Strike Price	Expiration Date	# of Contracts	Notional Amount	Premiums (Received)	Market Value
Put - CBOT U.S. Treasury 30-Year Bond February 2019 Futures	$ 141.000	01/25/2019	9	$ 9	$ (7)	$ (1)
Call - CBOT U.S. Treasury 5-Year Note February 2019 Futures	113.500	01/25/2019	26	26	(9)	(30)
					$ (16)	$ (31)
Total Written Options					**$ (71)**	**$ (93)**

FUTURES CONTRACTS:

LONG FUTURES CONTRACTS

Description	Expiration Month	# of Contracts	Notional Amount	Unrealized Appreciation/ (Depreciation)	Variation Margin Asset	Variation Margin Liability
90-Day Eurodollar December Futures	12/2019	2	$ 487	$ (1)	$ 0	$ 0
90-Day Eurodollar June Futures	06/2019	210	51,090	114	3	0
90-Day Eurodollar March Futures	03/2019	2	486	(2)	0	0
90-Day Eurodollar September Futures	09/2019	2	487	(1)	0	0
Brent Crude December Futures	10/2019	53	2,922	(195)	31	0
Brent Crude December Futures	10/2020	80	4,502	(827)	58	0
Brent Crude July Futures	05/2019	3	164	(25)	2	0
Brent Crude March Futures	01/2019	2	108	0	2	0
Call Options Strike @ EUR 113.900 on Euro-Schatz March 2019 Futures	02/2019	27	0	0	0	0
Call Options Strike @ EUR 165.000 on Euro-OAT France Government 10-Year Bond March 2019 Futures	02/2019	85	1	0	0	0
Chicago Ethanol (Platts) February Futures	02/2019	9	478	(19)	0	(3)
Chicago Ethanol (Platts) January Futures	01/2019	1	52	(3)	0	0
Cocoa May Futures	05/2019	7	171	2	1	0
Copper May Futures	05/2019	5	745	(12)	0	0

Description	Expiration Month	# of Contracts	Notional Amount	Unrealized Appreciation/ (Depreciation)	Variation Margin Asset	Variation Margin Liability
Corn December Futures	12/2019	29	$ 576	$ (3)	$ 0	$ 0
Cotton No. 2 May Futures	05/2019	7	257	(20)	0	0
Euro-Bund 10-Year Bond March Futures	03/2019	40	7,495	88	0	(9)
Gas Oil December Futures	12/2019	4	212	(18)	6	0
Hard Red Winter Wheat July Futures	07/2019	6	154	(8)	0	(2)
Hard Red Winter Wheat March Futures	03/2019	15	367	(20)	0	(6)
Henry Hub Natural Gas April Futures	03/2020	4	25	(1)	0	0
Henry Hub Natural Gas August Futures	07/2020	4	25	(1)	0	0
Henry Hub Natural Gas December Futures	11/2020	4	28	1	0	0
Henry Hub Natural Gas February Futures	01/2020	4	30	4	0	(1)
Henry Hub Natural Gas January Futures	12/2019	4	31	4	0	(1)
Henry Hub Natural Gas July Futures	06/2020	4	25	(1)	0	0
Henry Hub Natural Gas June Futures	05/2020	4	25	(1)	0	0
Henry Hub Natural Gas March Futures	02/2020	4	28	2	0	(1)
Henry Hub Natural Gas May Futures	04/2020	4	25	(2)	0	0
Henry Hub Natural Gas November Futures	10/2020	4	26	0	0	0
Henry Hub Natural Gas October Futures	09/2020	4	26	(1)	0	0
Henry Hub Natural Gas September Futures	08/2020	4	25	(1)	0	0
Lead May Futures	05/2019	4	202	2	0	0
LLS (Argus) vs. WTI Spread Calendar Swap April Futures	04/2019	1	5	1	0	0
LLS (Argus) vs. WTI Spread Calendar Swap August Futures	08/2019	1	4	1	0	0
LLS (Argus) vs. WTI Spread Calendar Swap December Futures	12/2019	1	4	0	0	0
LLS (Argus) vs. WTI Spread Calendar Swap February Futures	02/2019	1	5	1	0	0
LLS (Argus) vs. WTI Spread Calendar Swap January Futures	01/2019	1	5	1	0	0
LLS (Argus) vs. WTI Spread Calendar Swap July Futures	07/2019	1	5	1	0	0
LLS (Argus) vs. WTI Spread Calendar Swap June Futures	06/2019	1	5	1	0	0
LLS (Argus) vs. WTI Spread Calendar Swap March Futures	03/2019	1	5	1	0	0
LLS (Argus) vs. WTI Spread Calendar Swap May Futures	05/2019	1	5	1	0	0
LLS (Argus) vs. WTI Spread Calendar Swap November Futures	11/2019	1	4	0	0	0
LLS (Argus) vs. WTI Spread Calendar Swap October Futures	10/2019	1	4	0	0	0
LLS (Argus) vs. WTI Spread Calendar Swap September Futures	09/2019	1	4	0	0	0
Natural Gas February Futures	01/2019	5	147	(36)	0	(18)
Natural Gas March Futures	02/2020	1	28	(1)	0	(1)
Natural Gas March Futures	02/2021	1	27	0	0	0
Natural Gas May Futures	04/2019	29	775	(31)	0	(31)
Natural Gas October Futures	09/2019	18	495	5	0	(17)
New York Harbor ULSD March Futures	02/2019	4	281	(60)	3	0
New York Harbor ULSD May Futures	04/2019	3	209	(47)	2	0
Nickel May Futures	05/2019	1	64	(1)	0	0
Platinum April Futures	04/2019	4	160	0	1	0
Propane April Futures	04/2019	2	52	(14)	0	0
Propane June Futures	06/2019	2	51	(15)	0	0
Propane May Futures	05/2019	2	51	(14)	0	0
Put Options Strike @ EUR 148.000 on Euro-Bund 10-Year Bond March 2019 Futures	02/2019	43	0	0	0	0
RBOB Gasoline April Futures	03/2019	3	188	(2)	0	0
RBOB Gasoline August Futures	07/2019	2	125	(40)	0	0
RBOB Gasoline December Futures	11/2019	1	56	(9)	0	0
RBOB Gasoline June Futures	05/2019	3	190	(77)	0	0
RBOB Gasoline March Futures	02/2019	16	882	(228)	2	0
Soybean July Futures	07/2019	11	506	7	0	0
U.S. Treasury 2-Year Note March Futures	03/2019	5	1,062	7	1	0
U.S. Treasury 5-Year Note March Futures	03/2019	184	21,103	337	46	0
U.S. Treasury 10-Year Note March Futures	03/2019	72	8,785	214	29	0
Wheat December Futures	12/2019	6	163	(3)	0	(2)
Wheat March Futures	03/2019	4	101	(1)	0	(2)
White Sugar March Futures	02/2019	7	116	1	0	(2)
White Sugar May Futures	04/2019	2	34	0	0	(1)
WTI Crude August Futures	07/2019	8	381	(34)	3	0
WTI Crude December Futures	11/2020	1	50	(4)	1	0
WTI Crude December Futures	11/2024	2	106	(7)	2	0
WTI Crude July Futures	06/2019	6	284	(34)	2	0
WTI Crude June Futures	05/2019	18	845	(217)	5	0
WTI Crude June Futures	05/2020	36	1,768	(386)	32	0
WTI Crude June Futures	05/2021	16	805	(130)	17	0
WTI Crude March Futures	02/2020	34	1,657	(374)	26	0
WTI Crude May Futures	04/2019	5	233	(32)	1	0
WTI Crude September Futures	08/2019	54	2,583	(737)	26	0
WTI Crude September Futures	08/2020	4	198	(53)	4	0
WTI Houston (Argus) vs. WTI Trade April Futures	03/2019	1	5	2	0	0
WTI Houston (Argus) vs. WTI Trade August Futures	07/2019	1	4	2	0	0
WTI Houston (Argus) vs. WTI Trade December Futures	11/2019	1	4	1	0	0

Description	Expiration Month	# of Contracts	Notional Amount	Unrealized Appreciation/ (Depreciation)	Variation Margin Asset	Variation Margin Liability
WTI Houston (Argus) vs. WTI Trade February Futures	01/2019	1	$ 5	$ 2	$ 0	$ 0
WTI Houston (Argus) vs. WTI Trade July Futures	06/2019	1	4	2	0	0
WTI Houston (Argus) vs. WTI Trade June Futures	05/2019	1	5	2	0	0
WTI Houston (Argus) vs. WTI Trade March Futures	02/2019	1	5	2	0	0
WTI Houston (Argus) vs. WTI Trade May Futures	04/2019	1	5	2	0	0
WTI Houston (Argus) vs. WTI Trade November Futures	10/2019	1	4	1	0	0
WTI Houston (Argus) vs. WTI Trade October Futures	09/2019	1	4	1	0	0
WTI Houston (Argus) vs. WTI Trade September Futures	08/2019	1	4	2	0	0
Zinc May Futures	05/2019	3	184	0	0	0
				$ (2,934)	$ 306	$ (97)

SHORT FUTURES CONTRACTS

Description	Expiration Month	# of Contracts	Notional Amount	Unrealized Appreciation/ (Depreciation)	Variation Margin Asset	Variation Margin Liability
90-Day Eurodollar June Futures	06/2020	208	$ (50,703)	$ (232)	$ 0	$ (13)
Aluminum May Futures	05/2019	6	(278)	14	0	0
Australia Government 3-Year Note March Futures	03/2019	22	(1,739)	(9)	0	(2)
Australia Government 10-Year Bond March Futures	03/2019	8	(748)	(8)	0	(4)
Brent Crude April Futures	04/2019	1	(55)	19	0	(1)
Brent Crude August Futures	06/2019	2	(110)	40	0	(1)
Brent Crude December Futures	10/2021	33	(1,897)	216	0	(24)
Brent Crude December Futures	10/2022	4	(235)	2	0	(3)
Brent Crude June Futures	04/2019	73	(3,984)	1,132	1	(42)
Brent Crude June Futures	06/2019	1	(55)	18	0	(1)
Brent Crude June Futures	05/2020	22	(1,227)	179	0	(15)
Brent Crude June Futures	04/2021	4	(228)	21	0	(3)
Brent Crude March Futures	01/2020	6	(333)	52	0	(4)
Brent Crude May Futures	05/2019	1	(55)	19	0	(1)
Brent Crude September Futures	07/2019	8	(439)	18	0	(4)
Call Options Strike @ USD 65.000 on Brent Crude April 2019 Futures	02/2019	12	(9)	8	0	0
Call Options Strike @ USD 70.000 on Brent Crude June 2019 Futures	04/2019	3	(3)	3	0	0
Call Options Strike @ USD 74.000 on Brent Crude March 2019 Futures	01/2019	12	(1)	15	0	0
Copper May Futures	05/2019	7	(461)	16	9	0
Corn July Futures	07/2019	5	(98)	0	0	0
Corn March Futures	03/2019	23	(431)	(5)	1	0
Corn May Futures	05/2019	13	(249)	5	0	0
Corn September Futures	09/2019	7	(138)	2	0	0
Euro-BTP Italy Government Bond March Futures	03/2019	32	(4,647)	(103)	0	(2)
Euro-OAT France Government 10-Year Bond March Futures	03/2019	64	(11,058)	(71)	15	0
Gas Oil May Futures	05/2019	3	(154)	1	0	(4)
Gold 100 oz. February Futures	02/2019	6	(769)	(29)	1	0
Henry Hub Natural Gas April Futures	03/2021	4	(25)	1	0	0
Henry Hub Natural Gas August Futures	07/2021	4	(25)	1	0	0
Henry Hub Natural Gas December Futures	11/2021	4	(28)	(2)	0	0
Henry Hub Natural Gas February Futures	01/2021	4	(28)	(2)	0	0
Henry Hub Natural Gas January Futures	12/2020	4	(29)	(3)	0	0
Henry Hub Natural Gas July Futures	06/2021	4	(25)	1	0	0
Henry Hub Natural Gas June Futures	05/2021	4	(25)	1	0	0
Henry Hub Natural Gas March Futures	02/2021	4	(27)	(1)	0	0
Henry Hub Natural Gas May Futures	04/2021	4	(24)	2	0	0
Henry Hub Natural Gas November Futures	10/2021	4	(26)	0	0	0
Henry Hub Natural Gas October Futures	09/2021	4	(25)	1	0	0
Henry Hub Natural Gas September Futures	08/2021	4	(25)	1	0	0
Japan Government 10-Year Bond March Futures	03/2019	4	(5,565)	(26)	2	(6)
Natural Gas April Futures	03/2019	25	(671)	40	31	0
Natural Gas April Futures	03/2021	1	(25)	0	0	0
Natural Gas January Futures	12/2019	6	(184)	0	5	0
Natural Gas March Futures	02/2019	27	(770)	166	77	0
New York Harbor ULSD June Futures	05/2019	2	(140)	14	0	(1)
Put Options Strike @ USD 55.000 on Brent Crude June 2019 Futures	04/2019	1	(5)	(3)	1	0
Put Options Strike @ USD 57.000 on Brent Crude June 2019 Futures	04/2019	2	(13)	(8)	0	0
RBOB Gasoline February Futures	01/2019	5	(273)	0	0	0
RBOB Gasoline May Futures	04/2019	1	(63)	5	0	0
Silver March Futures	03/2019	1	(78)	(4)	0	(1)
Soybean May Futures	05/2019	6	(272)	1	0	0
Soybean November Futures	11/2019	19	(888)	(5)	1	0
Sugar No. 11 March Futures	02/2019	8	(108)	(3)	3	0
Sugar No. 11 May Futures	04/2019	15	(203)	13	6	0

Description	Expiration Month	# of Contracts	Notional Amount	Unrealized Appreciation/ (Depreciation)	Variation Margin Asset	Variation Margin Liability
U.S. Treasury 10-Year Ultra March Futures	03/2019	35	$ (4,553)	$ (147)	$ 0	$ (16)
U.S. Treasury 30-Year Bond March Futures	03/2019	215	(31,390)	(1,398)	0	(101)
U.S. Treasury Ultra Long-Term Bond March Futures	03/2019	1	(161)	(8)	0	(1)
United Kingdom Long Gilt March Futures	03/2019	137	(21,508)	(178)	23	(70)
Wheat July Futures	07/2019	8	(207)	9	3	0
Wheat May Futures	05/2019	9	(230)	9	4	0
Wheat September Futures	09/2019	6	(158)	4	2	0
WTI Brent Financial April Futures	04/2019	2	(16)	(2)	0	(1)
WTI Brent Financial August Futures	08/2019	2	(14)	(1)	0	0
WTI Brent Financial December Futures	12/2019	2	(14)	0	0	0
WTI Brent Financial February Futures	02/2019	2	(16)	(3)	0	(1)
WTI Brent Financial January Futures	01/2019	2	(17)	(3)	0	(1)
WTI Brent Financial July Futures	07/2019	2	(14)	(1)	0	0
WTI Brent Financial June Futures	06/2019	2	(15)	(1)	0	0
WTI Brent Financial March Futures	03/2019	2	(16)	(3)	0	(1)
WTI Brent Financial May Futures	05/2019	2	(15)	(2)	0	(1)
WTI Brent Financial November Futures	11/2019	2	(14)	0	0	0
WTI Brent Financial October Futures	10/2019	2	(14)	0	0	0
WTI Brent Financial September Futures	09/2019	2	(14)	0	0	0
WTI Crude April Futures	03/2019	6	(276)	36	0	(1)
WTI Crude December Futures	11/2019	106	(5,128)	1,343	0	(65)
WTI Crude December Futures	11/2020	40	(1,993)	408	0	(41)
WTI Crude December Futures	11/2021	4	(204)	1	0	(4)
WTI Crude December Futures	11/2022	2	(104)	6	0	(2)
WTI Crude December Futures	11/2023	2	(105)	9	0	(2)
WTI Crude February Futures	01/2019	3	(136)	20	0	0
WTI Crude January Futures	12/2019	2	(97)	8	0	(1)
WTI Crude June Futures	05/2019	19	(892)	150	0	(6)
WTI Crude March Futures	02/2019	1	(46)	2	0	0
WTI Crude November Futures	10/2019	3	(145)	17	0	(2)
				$ 1,788	$ 185	$ (449)
Total Futures Contracts				**$ (1,146)**	**$ 491**	**$ (546)**

SWAP AGREEMENTS:

CREDIT DEFAULT SWAPS ON CORPORATE ISSUES - SELL PROTECTION(2)

Reference Entity	Fixed Receive Rate	Payment Frequency	Maturity Date	Implied Credit Spread at December 31, 2018(3)	Notional Amount(4)	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Market Value(5)	Variation Margin Asset	Variation Margin Liability
Daimler AG	1.000%	Quarterly	12/20/2020	0.442%	EUR 130	$ 2	$ 0	$ 2	$ 0	$ 0
Deutsche Bank AG	1.000	Quarterly	12/20/2019	1.450	100	(1)	0	(1)	0	0
General Electric Co.	1.000	Quarterly	12/20/2020	1.653	$ 100	(3)	2	(1)	0	0
General Electric Co.	1.000	Quarterly	12/20/2023	2.039	200	(11)	2	(9)	0	0
						$ (13)	$ 4	$ (9)	$ 0	$ 0

CREDIT DEFAULT SWAPS ON CREDIT INDICES - BUY PROTECTION(1)

Index/Tranches	Fixed (Pay) Rate	Payment Frequency	Maturity Date	Notional Amount(4)	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Market Value(5)	Variation Margin Asset	Variation Margin Liability
CDX.HY-31 5-Year Index	(5.000)%	Quarterly	12/20/2023	$ 2,900	$ (207)	$ 143	$ (64)	$ 0	$ (5)
iTraxx Europe Main 26 5-Year Index	(1.000)	Quarterly	12/20/2021	EUR 2,000	(35)	(1)	(36)	0	(3)
iTraxx Europe Main 28 5-Year Index	(1.000)	Quarterly	12/20/2022	5,500	(156)	72	(84)	0	(10)
					$ (398)	$ 214	$ (184)	$ 0	$ (18)

INTEREST RATE SWAPS

Pay/Receive Floating Rate	Floating Rate Index	Fixed Rate	Payment Frequency	Maturity Date	Notional Amount	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Market Value	Variation Margin Asset	Variation Margin Liability
Receive	1-Day USD-Federal Funds Rate Compounded-OIS	2.000%	Annual	12/15/2047	$ 1,420	$ 4	$ 152	$ 156	$ 0	$ (3)
Receive	1-Day USD-Federal Funds Rate Compounded-OIS	2.428	Annual	12/20/2047	300	1	6	7	0	(1)

Pay/Receive Floating Rate	Floating Rate Index	Fixed Rate	Payment Frequency	Maturity Date	Notional Amount	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Market Value	Variation Margin	
									Asset	Liability
Receive	1-Day USD-Federal Funds Rate Compounded-OIS	2.478%	Annual	12/20/2047	$ 693	$ 4	$ 4	$ 8	$ 0	$ (2)
Receive	1-Day USD-Federal Funds Rate Compounded-OIS	2.499	Annual	12/20/2047	290	1	1	2	0	(1)
Receive	3-Month NZD-BBR	3.250	Semi-Annual	03/21/2028	NZD 1,000	3	(45)	(42)	0	(2)
Pay	3-Month USD-LIBOR	2.250	Semi-Annual	12/16/2022	$ 25,700	1,518	(1,837)	(319)	38	0
Pay	3-Month USD-LIBOR	2.250	Semi-Annual	12/20/2022	6,000	8	(82)	(74)	9	0
Pay	3-Month USD-LIBOR	2.000	Semi-Annual	06/20/2023	13,100	(506)	185	(321)	23	0
Pay	3-Month USD-LIBOR	2.678	Semi-Annual	10/25/2023	1,700	0	8	8	3	0
Pay	3-Month USD-LIBOR	2.670	Semi-Annual	11/19/2023	2,000	0	9	9	4	0
Pay	3-Month USD-LIBOR	2.681	Semi-Annual	12/12/2023	2,000	0	9	9	4	0
Pay	3-Month USD-LIBOR	2.500	Semi-Annual	12/19/2023	3,200	(26)	13	(13)	6	0
Receive(6)	3-Month USD-LIBOR	2.400	Semi-Annual	03/16/2026	1,750	9	9	18	0	(5)
Receive(6)	3-Month USD-LIBOR	2.300	Semi-Annual	04/21/2026	4,700	(20)	90	70	0	(14)
Receive(6)	3-Month USD-LIBOR	2.300	Semi-Annual	04/27/2026	5,700	59	27	86	0	(16)
Receive(6)	3-Month USD-LIBOR	1.850	Semi-Annual	07/20/2026	6,100	(42)	260	218	0	(17)
Receive(6)	3-Month USD-LIBOR	1.850	Semi-Annual	07/27/2026	2,000	(3)	75	72	0	(6)
Receive(6)	3-Month USD-LIBOR	2.000	Semi-Annual	07/27/2026	8,800	205	52	257	0	(25)
Receive	3-Month USD-LIBOR	1.750	Semi-Annual	12/21/2026	5,070	(102)	434	332	0	(16)
Receive(6)	3-Month USD-LIBOR	3.100	Semi-Annual	04/17/2028	8,140	(25)	(67)	(92)	0	(17)
Receive	3-Month USD-LIBOR	2.250	Semi-Annual	06/20/2028	2,600	144	(46)	98	0	(10)
Receive	3-Month USD-LIBOR	2.765	Semi-Annual	07/18/2028	4,350	50	(102)	(52)	0	(17)
Receive(6)	3-Month USD-LIBOR	3.134	Semi-Annual	09/13/2028	7,700	0	(86)	(86)	0	(15)
Receive	3-Month USD-LIBOR	2.750	Semi-Annual	12/20/2047	2,666	127	(65)	62	0	(15)
Receive	3-Month USD-LIBOR	2.150	Semi-Annual	06/19/2048	480	48	23	71	0	(3)
Receive	3-Month USD-LIBOR	2.500	Semi-Annual	06/20/2048	2,380	286	(107)	179	0	(13)
Receive	3-Month USD-LIBOR	2.969	Semi-Annual	10/25/2048	310	0	(7)	(7)	0	(2)
Receive	3-Month USD-LIBOR	2.951	Semi-Annual	11/19/2048	300	0	(6)	(6)	0	(2)
Receive	3-Month USD-LIBOR	2.953	Semi-Annual	12/12/2048	300	0	(6)	(6)	0	(2)
Receive	3-Month USD-LIBOR	2.750	Semi-Annual	12/19/2048	200	5	0	5	0	(1)
Receive	3-Month USD-LIBOR	3.000	Semi-Annual	12/19/2048	1,700	102	(151)	(49)	0	(10)
Receive(6)	6-Month GBP-LIBOR	1.500	Semi-Annual	03/20/2029	GBP 2,770	45	(64)	(19)	0	(13)
Receive(6)	6-Month GBP-LIBOR	1.750	Semi-Annual	03/20/2049	3,010	(90)	(108)	(198)	0	(34)
Receive	6-Month JPY-LIBOR	0.300	Semi-Annual	09/20/2027	JPY 263,000	(5)	(32)	(37)	0	0
Receive	6-Month JPY-LIBOR	0.300	Semi-Annual	03/20/2028	70,000	(1)	(8)	(9)	0	0
Receive(6)	6-Month JPY-LIBOR	0.450	Semi-Annual	03/20/2029	230,000	(12)	(42)	(54)	0	(1)
Pay	28-Day MXN-TIIE	9.182	Lunar	11/28/2028	MXN 24,200	0	30	30	8	0
Receive	CPTFEMU	1.535	Maturity	06/15/2023	EUR 1,040	0	20	20	1	0
Receive	CPTFEMU	1.535	Maturity	03/15/2028	700	0	17	17	1	0
Receive	CPTFEMU	1.620	Maturity	05/15/2028	960	0	31	31	2	0
Pay	CPTFEMU	1.710	Maturity	03/15/2033	400	(1)	(15)	(16)	0	(1)
Receive	CPTFEMU	1.796	Maturity	11/15/2038	650	0	26	26	2	0
Receive	CPTFEMU	1.808	Maturity	11/15/2038	600	0	25	25	2	0
Receive	CPTFEMU	1.946	Maturity	03/15/2048	400	1	23	24	2	0
Receive	CPTFEMU	1.945	Maturity	11/15/2048	160	0	9	9	1	0
Receive	CPTFEMU	1.950	Maturity	11/15/2048	240	1	13	14	1	0
Pay	CPURNSA	2.070	Maturity	03/23/2019	$ 12,800	1	(78)	(77)	0	(4)
Pay	CPURNSA	1.980	Maturity	04/10/2019	2,140	0	(14)	(14)	1	0
Pay	CPURNSA	1.970	Maturity	04/27/2019	7,920	0	(54)	(54)	17	0
Pay	CPURNSA	1.925	Maturity	05/08/2019	1,170	0	(7)	(7)	3	0
Pay	CPURNSA	2.168	Maturity	07/15/2020	2,000	0	(21)	(21)	2	0
Pay	CPURNSA	2.027	Maturity	11/23/2020	1,500	0	(10)	(10)	0	0
Pay	CPURNSA	2.021	Maturity	11/25/2020	1,500	0	(10)	(10)	0	0
Pay	CPURNSA	1.550	Maturity	07/26/2021	1,100	37	(18)	19	1	0
Pay	CPURNSA	1.603	Maturity	09/12/2021	770	23	(13)	10	0	0
Pay	CPURNSA	2.069	Maturity	07/15/2022	700	0	(6)	(6)	0	0
Pay	CPURNSA	2.210	Maturity	02/05/2023	3,970	0	(76)	(76)	0	(4)
Pay	CPURNSA	2.263	Maturity	04/27/2023	2,120	0	(52)	(52)	0	(1)
Pay	CPURNSA	2.263	Maturity	05/09/2023	630	0	(15)	(15)	0	0
Pay	CPURNSA	2.281	Maturity	05/10/2023	960	0	(25)	(25)	0	(2)
Receive	CPURNSA	1.730	Maturity	07/26/2026	1,100	(59)	33	(26)	1	0
Receive	CPURNSA	1.762	Maturity	08/30/2026	1,900	(93)	59	(34)	2	0
Receive	CPURNSA	1.800	Maturity	09/12/2026	600	(6)	(3)	(9)	1	0
Receive	CPURNSA	1.801	Maturity	09/12/2026	770	(36)	24	(12)	1	0
Receive	CPURNSA	1.805	Maturity	09/12/2026	700	(32)	22	(10)	1	0
Receive	CPURNSA	1.780	Maturity	09/15/2026	500	(24)	15	(9)	1	0
Receive	CPURNSA	2.102	Maturity	07/20/2027	1,800	0	21	21	3	0
Receive	CPURNSA	2.080	Maturity	07/25/2027	1,300	0	12	12	2	0
Receive	CPURNSA	2.122	Maturity	08/01/2027	1,900	0	24	24	3	0
Receive	CPURNSA	2.180	Maturity	09/20/2027	650	0	11	11	1	0
Receive	CPURNSA	2.150	Maturity	09/25/2027	600	0	8	8	1	0

Pay/Receive Floating Rate	Floating Rate Index	Fixed Rate	Payment Frequency	Maturity Date	Notional Amount	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Market Value	Variation Margin Asset	Variation Margin Liability
Receive	CPURNSA	2.155%	Maturity	10/17/2027	$ 1,400	$ 0	$ 20	$ 20	$ 3	$ 0
Receive	CPURNSA	2.335	Maturity	02/05/2028	2,010	4	70	74	5	0
Receive	CPURNSA	2.353	Maturity	05/09/2028	630	0	25	25	1	0
Receive	CPURNSA	2.360	Maturity	05/09/2028	950	0	39	39	2	0
Receive	CPURNSA	2.364	Maturity	05/10/2028	960	0	39	39	2	0
Receive	CPURNSA	2.370	Maturity	06/06/2028	1,800	0	72	72	3	0
Pay	FRCPXTOB	1.000	Maturity	04/15/2020	EUR 170	0	(1)	(1)	0	0
Pay	FRCPXTOB	1.160	Maturity	08/15/2020	70	0	(1)	(1)	0	0
Pay	FRCPXTOB	1.345	Maturity	06/15/2021	800	0	(12)	(12)	0	(1)
Receive	FRCPXTOB	1.350	Maturity	01/15/2023	1,200	0	24	24	2	0
Receive	FRCPXTOB	1.575	Maturity	01/15/2028	450	0	18	18	1	0
Receive	FRCPXTOB	1.590	Maturity	02/15/2028	1,970	0	82	82	6	0
Receive	FRCPXTOB	1.606	Maturity	02/15/2028	300	0	13	13	1	0
Receive	FRCPXTOB	1.618	Maturity	07/15/2028	820	0	35	35	2	0
Receive	FRCPXTOB	1.910	Maturity	01/15/2038	390	1	30	31	1	0
Receive	UKRPI	3.513	Maturity	09/15/2028	GBP 700	0	(3)	(3)	5	0
Receive	UKRPI	3.578	Maturity	11/15/2028	1,510	0	9	9	12	0
Receive	UKRPI	3.595	Maturity	11/15/2028	340	0	3	3	3	0
Receive	UKRPI	3.603	Maturity	11/15/2028	660	0	7	7	5	0
Receive	UKRPI	3.633	Maturity	12/15/2028	700	0	10	10	5	0
Receive	UKRPI	3.190	Maturity	04/15/2030	1,300	(73)	15	(58)	11	0
Receive	UKRPI	3.350	Maturity	05/15/2030	2,900	(38)	18	(20)	27	0
Receive	UKRPI	3.400	Maturity	06/15/2030	2,500	35	(32)	3	23	0
Receive	UKRPI	3.530	Maturity	10/15/2031	140	4	(5)	(1)	1	0
Receive	UKRPI	3.470	Maturity	09/15/2032	4,710	2	(90)	(88)	52	0
Receive	UKRPI	3.579	Maturity	10/15/2033	400	0	4	4	5	0
Receive	UKRPI	3.358	Maturity	04/15/2035	300	(7)	0	(7)	4	0
Pay	UKRPI	3.585	Maturity	10/15/2046	640	(51)	12	(39)	0	(19)
Pay	UKRPI	3.428	Maturity	03/15/2047	1,620	93	(3)	90	0	(46)
						$ 1,569	$ (1,100)	$ 469	$ 330	$ (341)
Total Swap Agreements						**$ 1,158**	**$ (882)**	**$ 276**	**$ 330**	**$ (359)**

FINANCIAL DERIVATIVE INSTRUMENTS: EXCHANGE-TRADED OR CENTRALLY CLEARED SUMMARY

The following is a summary of the market value and variation margin of Exchange-Traded or Centrally Cleared Financial Derivative Instruments as of December 31, 2018:

	Financial Derivative Assets				Financial Derivative Liabilities			
	Market Value	Variation Margin Asset[7]			Market Value	Variation Margin Liability		
	Purchased Options	Futures	Swap Agreements	Total	Written Options	Futures	Swap Agreements	Total
Total Exchange-Traded or Centrally Cleared	**$ 3**	**$ 492**	**$ 330**	**$ 825**	**$ (93)**	**$ (546)**	**$ (359)**	**$ (998)**

(k) Securities with an aggregate market value of $1,825 and cash of $3408 have been pledged as collateral for exchange-traded and centrally cleared financial derivative instruments as of December 31, 2018.

(1) If the Portfolio is a buyer of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Portfolio will either (i) receive from the seller of protection an amount equal to the notional amount of the swap and deliver the referenced obligation or underlying securities comprising the referenced index or (ii) receive a net settlement amount in the form of cash, securities or other deliverable obligations equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

(2) If the Portfolio is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Portfolio will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash, securities or other deliverable obligations equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

(3) Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements on sovereign issues as of period end serve as indicators of the current status of the payment/performance risk and represent the likelihood or risk of default for the credit derivative. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

(4) The maximum potential amount the Portfolio could be required to pay as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.

(5) The prices and resulting values for credit default swap agreements serve as indicators of the current status of the payment/performance risk and represent the likelihood of an expected liability (or profit) for the credit derivative should the notional amount of the swap agreement be closed/sold as of the period end. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced indices' credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

(6) This instrument has a forward starting effective date. See Note 2, Securities Transactions and Investment Income, in the Notes to Financial Statements for further information.

(7) Unsettled variation margin asset of $1 for closed future agreements is outstanding at period end.

(l) FINANCIAL DERIVATIVE INSTRUMENTS: OVER THE COUNTER

FORWARD FOREIGN CURRENCY CONTRACTS:

Counterparty	Settlement Month	Currency to be Delivered		Currency to be Received		Unrealized Appreciation/ (Depreciation) Asset	Liability
BOA	01/2019	ARS	8,446	$	208	$ 0	$ (13)
	01/2019	EUR	8,496		9,700	0	(41)
BPS	01/2019	BRL	14,078		3,798	165	0
	01/2019	JPY	12,600		112	0	(3)
	01/2019	$	58	ARS	2,343	3	0
	01/2019		3,630	BRL	14,078	3	(1)
CBK	01/2019	AUD	6,946	$	5,088	195	0
	01/2019	BRL	3,905		1,027	20	0
	01/2019	CAD	3,686		2,797	97	0
	01/2019	GBP	339		434	2	0
	01/2019	NZD	2,666		1,847	57	0
	01/2019	$	1,008	BRL	3,905	0	0
	02/2019	JPY	365,000	$	3,236	0	(101)
	02/2019	$	704	COP	2,249,441	0	(13)
	03/2019	KRW	835,238	$	745	0	(7)
DUB	01/2019	BRL	5,516		1,425	2	0
	01/2019	$	1,433	BRL	5,517	0	(9)
	02/2019	BRL	5,517	$	1,430	9	0
	02/2019	$	1,069	BRL	4,146	0	(1)
FBF	04/2019	CNH	6,153	$	877	0	(19)
GLM	01/2019	BRL	5,245		1,351	0	(3)
	01/2019	CAD	300		227	7	0
	01/2019	GBP	7,424		9,489	26	(3)
	01/2019	$	3	ARS	120	0	0
	01/2019		1,358	BRL	5,245	1	(5)
	01/2019		1,354	EUR	1,189	9	0
	01/2019		728	RUB	48,210	0	(38)
	03/2019		515	IDR	7,572,726	5	0
	04/2019	BRL	1,110	$	284	0	0
HUS	01/2019	MXN	3,040		160	5	0
	01/2019	$	29	ARS	1,147	1	0
	02/2019	JPY	365,000	$	3,249	0	(88)
	02/2019	$	14	ARS	581	0	0
IND	01/2019		1,137	JPY	128,900	39	0
JPM	01/2019	BRL	16,501	$	4,443	186	0
	01/2019	$	90	ARS	3,488	2	0
	01/2019		4,229	BRL	16,501	29	0
	04/2019		885	CNH	6,108	4	0
MSB	01/2019	BRL	12,327	$	3,178	1	(3)
	01/2019	$	3,208	BRL	12,327	14	(42)
	02/2019		280		1,099	3	0
MYI	01/2019	CAD	500	$	377	11	0
SCX	01/2019	BRL	7,000		1,876	70	0
	01/2019	CAD	4,100		3,107	103	0
	01/2019	$	1,793	BRL	7,000	13	0
	01/2019		386	GBP	305	3	0
SSB	03/2019	SGD	522	$	382	0	(2)
	03/2019	TWD	11,623		380	0	(3)
Total Forward Foreign Currency Contracts						**$ 1,085**	**$ (395)**

PURCHASED OPTIONS:

CREDIT DEFAULT SWAPTIONS ON CREDIT INDICES

Counterparty	Description	Buy/Sell Protection	Exercise Rate	Expiration Date	Notional Amount	Cost	Market Value
BPS	Put - OTC CDX.IG-31 5-Year Index	Buy	1.750%	01/16/2019	$ 19,500	$ 2	$ 0
FBF	Put - OTC CDX.IG-31 5-Year Index	Buy	1.600	02/20/2019	2,900	1	1
GST	Put - OTC CDX.IG-31 5-Year Index	Buy	2.000	02/20/2019	2,700	0	0
						$ 3	$ 1

OPTIONS ON SECURITIES

Counterparty	Description	Strike Price	Expiration Date	Notional Amount	Cost	Market Value
DUB	Put - OTC Fannie Mae, TBA 4.000% due 02/01/2049	$ 71.000	02/06/2019	$ 3,100	$ 0	$ 0
FAR	Call - OTC Fannie Mae, TBA 3.000% due 02/01/2049	108.500	02/06/2019	6,600	0	0
	Put - OTC Fannie Mae, TBA 3.500% due 01/01/2049	72.000	01/07/2019	8,380	0	0
	Put - OTC Fannie Mae, TBA 4.000% due 01/01/2049	75.500	01/07/2019	20,000	1	0
JPM	Put - OTC Fannie Mae, TBA 3.500% due 01/01/2049	69.000	01/07/2019	19,030	1	0
					$ 2	$ 0
Total Purchased Options					**$ 5**	**$ 1**

WRITTEN OPTIONS:

CREDIT DEFAULT SWAPTIONS ON CREDIT INDICES

Counterparty	Description	Buy/Sell Protection	Exercise Rate	Expiration Date	Notional Amount	Premiums (Received)	Market Value
BOA	Put - OTC CDX.IG-31 5-Year Index	Sell	0.850%	01/16/2019	$ 1,000	$ (1)	$ (3)
	Put - OTC CDX.IG-31 5-Year Index	Sell	0.900	01/16/2019	1,600	(2)	(3)
	Put - OTC CDX.IG-31 5-Year Index	Sell	0.950	02/20/2019	900	(2)	(2)
	Put - OTC CDX.IG-31 5-Year Index	Sell	1.000	02/20/2019	1,200	(3)	(3)
	Put - OTC CDX.IG-31 5-Year Index	Sell	1.100	02/20/2019	500	(1)	(1)
	Put - OTC CDX.IG-31 5-Year Index	Sell	1.000	03/20/2019	900	(2)	(3)
	Put - OTC CDX.IG-31 5-Year Index	Sell	1.200	03/20/2019	1,300	(1)	(2)
BPS	Put - OTC CDX.IG-31 5-Year Index	Sell	1.000	02/20/2019	800	(1)	(2)
BRC	Put - OTC CDX.IG-31 5-Year Index	Sell	1.000	01/16/2019	800	(1)	0
	Put - OTC CDX.IG-31 5-Year Index	Sell	1.050	02/20/2019	700	(1)	(1)
CBK	Put - OTC CDX.IG-31 5-Year Index	Sell	0.950	01/16/2019	800	(1)	(1)
	Put - OTC CDX.IG-31 5-Year Index	Sell	1.000	01/16/2019	3,600	(3)	(2)
	Put - OTC CDX.IG-31 5-Year Index	Sell	0.950	02/20/2019	1,600	(3)	(5)
	Put - OTC CDX.IG-31 5-Year Index	Sell	1.050	02/20/2019	500	(1)	(1)
	Put - OTC CDX.IG-31 5-Year Index	Sell	1.100	02/20/2019	400	0	(1)
	Put - OTC CDX.IG-31 5-Year Index	Sell	1.050	03/20/2019	800	(1)	(2)
	Put - OTC CDX.IG-31 5-Year Index	Sell	1.100	03/20/2019	700	(2)	(2)
	Put - OTC CDX.IG-31 5-Year Index	Sell	1.200	03/20/2019	900	(1)	(1)
GST	Put - OTC CDX.IG-31 5-Year Index	Sell	0.900	01/16/2019	1,500	(2)	(2)
	Put - OTC CDX.IG-31 5-Year Index	Sell	1.100	02/20/2019	500	0	(1)
	Put - OTC CDX.IG-31 5-Year Index	Sell	2.400	09/18/2019	900	(2)	(2)
	Put - OTC iTraxx Europe 30 5-Year Index	Sell	2.400	09/18/2019	EUR 300	(1)	0
JPM	Put - OTC CDX.IG-31 5-Year Index	Sell	0.950	02/20/2019	$ 800	(1)	(2)
	Put - OTC CDX.IG-31 5-Year Index	Sell	1.200	03/20/2019	700	(1)	(1)
MYC	Put - OTC CDX.IG-31 5-Year Index	Sell	0.900	01/16/2019	800	(1)	(1)
	Put - OTC CDX.IG-31 5-Year Index	Sell	1.100	02/20/2019	900	(1)	(1)
						$ (36)	$ (45)

FOREIGN CURRENCY OPTIONS

Counterparty	Description	Strike Price	Expiration Date	Notional Amount	Premiums (Received)	Market Value
HUS	Put - OTC EUR versus USD	$ 1.100	02/13/2019	EUR 1,305	$ (8)	$ (1)

INFLATION-CAPPED OPTIONS

Counterparty	Description	Initial Index	Floating Rate	Expiration Date(1)	Notional Amount	Premiums (Received)	Market Value
CBK	Floor - OTC CPURNSA	216.687	Maximum of [(1 + 0.000%)^{10} - (Final Index/Initial Index)] or 0	04/07/2020	$ 12,100	$ (108)	$ 0
	Floor - OTC CPURNSA	217.965	Maximum of [(1 + 0.000%)^{10} - (Final Index/Initial Index)] or 0	09/29/2020	1,000	(13)	0
GLM	Cap - OTC CPALEMU	100.151	Maximum of [(Final Index/Initial Index - 1) - 3.000%] or 0	06/22/2035	EUR 1,200	(54)	(4)
JPM	Cap - OTC CPURNSA	234.781	Maximum of [(Final Index/Initial Index - 1) - 4.000%] or 0	05/16/2024	$ 600	(4)	0
	Floor - OTC YOY CPURNSA	234.812	Maximum of [0.000% - (Final Index/Initial Index - 1)] or 0	03/24/2020	4,600	(52)	(2)
	Floor - OTC YOY CPURNSA	238.654	Maximum of [0.000% - (Final Index/Initial Index - 1)] or 0	10/02/2020	2,000	(37)	(2)
						$ (268)	$ (8)

INTEREST RATE-CAPPED OPTIONS

Counterparty	Description	Exercise Rate	Floating Rate Index	Expiration Date	Notional Amount	Premiums (Received)	Market Value
MYC	Call - OTC 1-Year Interest Rate Floor(2)	0.000%	10-Year USD-ISDA - 2-Year USD-ISDA	01/02/2020	$ 29,700	$ (23)	$ (15)
Total Written Options						**$ (335)**	**$ (69)**

SWAP AGREEMENTS:

COMMODITY FORWARD SWAPS

Counterparty	Pay/Receive	Underlying Reference Commodity	Fixed Price Per Unit	Payment Frequency	Maturity Date	# of Units	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Swap Agreements, at Value Asset	Swap Agreements, at Value Liability
BPS	Receive	EURMARGIN CAL20	$ 10.000	Maturity	12/31/2020	6,000	$ (9)	$ (2)	$ 0	$ (11)
	Pay	EURMARGIN 1Q19	6.640	Maturity	03/31/2019	600	0	0	0	0
	Receive	EURMARGIN 4Q19	6.080	Maturity	12/31/2019	300	0	(1)	0	(1)
	Receive	NAPGASFO 1Q19	8.700	Maturity	03/31/2019	2,700	(4)	(6)	0	(10)
	Receive	PLATGOLD N9	410.750	Maturity	07/09/2019	300	0	(23)	0	(23)
CBK	Receive	MEHMID CAL20	1.840	Maturity	12/31/2021	4,800	0	5	5	0
GST	Receive	CBOT Corn December Futures	398.500	Maturity	11/22/2019	15,000	0	0	0	0
	Receive	CBOT Corn December Futures	398.750	Maturity	11/22/2019	10,000	0	0	0	0
	Receive	CBOT Corn December Futures	402.250	Maturity	11/22/2019	40,000	0	(2)	0	(2)
	Receive	CBOT Corn December Futures	403.250	Maturity	11/22/2019	20,000	0	(1)	0	(1)
	Pay	CBOT Wheat July Futures	5.240	Maturity	06/21/2019	20,000	0	1	1	0
	Pay	CBOT Wheat March Futures	5.110	Maturity	02/22/2019	10,000	0	1	1	0
	Pay	CBOT Wheat March Futures	5.151	Maturity	02/22/2019	35,000	0	4	4	0
	Pay	CBOT Wheat March Futures	5.210	Maturity	02/22/2019	10,000	0	2	2	0
	Pay	CBOT Wheat March Futures	5.275	Maturity	02/22/2019	25,000	0	6	6	0
	Receive	COCL CAL19	5.300	Maturity	12/31/2019	2,400	0	(5)	0	(5)
	Receive	EURMARGIN 1Q19	6.040	Maturity	03/31/2019	600	0	0	0	0
	Receive	EURMARGIN 4Q19	5.415	Maturity	12/31/2019	1,500	0	(1)	0	(1)
	Receive	EURMARGIN CAL19	7.050	Maturity	12/31/2019	6,000	0	(7)	0	(7)
	Receive	MEHCL CAL19	2.650	Maturity	12/31/2019	2,200	0	4	4	0
	Receive	NAPGASFO 1Q19	8.050	Maturity	03/31/2019	2,400	(3)	(5)	0	(8)
JPM	Receive	CBOT Corn December Futures	398.375	Maturity	11/22/2019	10,000	0	0	0	0
	Receive	CBOT Corn December Futures	398.500	Maturity	11/22/2019	5,000	0	0	0	0
	Pay	CBOT Soybean November Futures	953.688	Maturity	10/25/2019	20,000	0	4	4	0
	Pay	CBOT Wheat March Futures	5.070	Maturity	02/22/2019	15,000	0	1	1	0
	Pay	CBOT Wheat March Futures	5.083	Maturity	02/22/2019	10,000	0	1	1	0
	Receive	EURMARGIN CAL20	9.900	Maturity	12/31/2020	1,200	0	(2)	0	(2)
	Receive	EURMARGIN 4Q19	5.350	Maturity	12/31/2019	300	0	0	0	0
	Receive	EURMARGIN CAL19	6.750	Maturity	12/31/2019	2,400	(1)	(1)	0	(2)
	Pay	EURSIMP 1Q19	5.000	Maturity	03/31/2019	600	0	0	0	0
	Receive	KCBT Wheat March Futures	5.104	Maturity	02/22/2019	10,000	0	(2)	0	(2)
	Receive	NAPGASFO 1Q19	5.680	Maturity	03/31/2019	300	0	0	0	0
MAC	Receive	COCL CAL19	5.380	Maturity	12/31/2019	3,600	0	(8)	0	(8)
	Receive	EURMARGIN CAL20	8.500	Maturity	12/31/2020	6,000	0	(3)	0	(3)
	Receive	EURMARGIN 4Q19	5.400	Maturity	12/31/2019	900	0	(1)	0	(1)
	Receive	KCBT Wheat July Futures	5.155	Maturity	06/21/2019	10,000	0	0	0	0
	Receive	MEHCL CAL19	2.700	Maturity	12/31/2019	3,300	0	5	5	0
MYC	Receive	EURMARGIN CAL19	8.920	Maturity	12/31/2019	2,400	0	(4)	0	(4)
	Receive	EURMARGIN CAL20	8.520	Maturity	12/31/2020	1,200	0	(1)	0	(1)
	Receive	EURMARGIN CAL20	8.580	Maturity	12/31/2020	16,800	0	(8)	0	(8)
	Receive	EURMARGIN CAL20	9.970	Maturity	12/31/2020	1,200	0	(2)	0	(2)
	Pay	EURMARGIN 1Q19	6.150	Maturity	03/31/2019	900	0	0	0	0
	Pay	EURMARGIN 1Q19	6.200	Maturity	03/31/2019	1,200	0	0	0	0
	Receive	EURMARGIN 2H19	6.870	Maturity	12/31/2019	600	0	(1)	0	(1)
	Receive	EURMARGIN 2H19	6.970	Maturity	12/31/2019	600	0	(1)	0	(1)
	Receive	EURMARGIN 2H19	7.150	Maturity	12/31/2019	600	0	(1)	0	(1)
	Receive	EURMARGIN 2Q19	7.000	Maturity	06/30/2019	900	0	0	0	0
	Receive	EURMARGIN 2Q19	7.005	Maturity	06/30/2019	1,200	0	0	0	0
	Receive	EURMARGIN 4Q19	6.000	Maturity	12/31/2019	600	0	(1)	0	(1)
	Pay	EURSIMP 1Q19	5.000	Maturity	03/31/2019	600	0	0	0	0
							$ (17)	$ (55)	$ 34	$ (106)

CREDIT DEFAULT SWAPS ON SOVEREIGN ISSUES - SELL PROTECTION[3]

Counterparty	Reference Entity	Fixed Receive Rate	Payment Frequency	Maturity Date	Implied Credit Spread at December 31, 2018[4]	Notional Amount[5]	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Swap Agreements, at Value[6] Asset	Liability
BOA	Italy Government International Bond	1.000%	Quarterly	03/20/2019	0.227%	$ 1,100	$ (19)	$ 21	$ 2	$ 0

CREDIT DEFAULT SWAPS ON CREDIT INDICES - SELL PROTECTION[3]

Counterparty	Index/Tranches	Fixed Receive Rate	Payment Frequency	Maturity Date	Notional Amount[5]	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Swap Agreements, at Value[6] Asset	Liability
DUB	CMBX.NA.AAA.8 Index	0.500%	Monthly	10/17/2057	$ 800	$ (42)	$ 43	$ 1	$ 0
GST	CMBX.NA.AAA.8 Index	0.500	Monthly	10/17/2057	300	(17)	18	1	0
						$ (59)	$ 61	$ 2	$ 0

INTEREST RATE SWAPS

Counterparty	Pay/Receive Floating Rate	Floating Rate Index	Fixed Rate	Payment Frequency	Maturity Date	Notional Amount	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Swap Agreements, at Value Asset	Liability
BRC	Receive	1-Year ILS-TELBOR	0.374%	Annual	06/20/2020	ILS 2,690	$ 0	$ 1	$ 1	$ 0
	Pay	1-Year ILS-TELBOR	1.950	Annual	06/20/2028	580	0	(1)	0	(1)
DUB	Pay	CPURNSA	2.500	Maturity	07/15/2022	$ 1,200	10	(134)	0	(124)
	Pay	CPURNSA	2.560	Maturity	05/08/2023	13,100	0	(1,385)	0	(1,385)
GLM	Receive	1-Year ILS-TELBOR	0.290	Annual	02/16/2020	ILS 4,990	0	1	1	0
	Receive	1-Year ILS-TELBOR	0.270	Annual	03/21/2020	3,110	0	2	2	0
	Receive	1-Year ILS-TELBOR	0.370	Annual	06/20/2020	2,080	0	1	1	0
	Pay	1-Year ILS-TELBOR	1.971	Annual	02/16/2028	1,050	0	1	1	0
	Pay	1-Year ILS-TELBOR	1.883	Annual	03/21/2028	650	0	(1)	0	(1)
	Pay	1-Year ILS-TELBOR	1.998	Annual	06/20/2028	440	0	0	0	0
HUS	Receive	1-Year ILS-TELBOR	0.370	Annual	06/20/2020	1,640	0	1	1	0
	Pay	1-Year ILS-TELBOR	1.998	Annual	06/20/2028	350	0	0	0	0
JPM	Receive	1-Year ILS-TELBOR	0.420	Annual	06/20/2020	2,570	0	1	1	0
	Pay	1-Year ILS-TELBOR	2.078	Annual	06/20/2028	550	0	1	1	0
							$ 10	$ (1,512)	$ 9	$ (1,511)

TOTAL RETURN SWAPS ON COMMODITY INDICES

Counterparty	Pay/Receive[7]	Underlying Reference	# of Units	Financing Rate	Payment Frequency	Maturity Date	Notional Amount	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Swap Agreements, at Value Asset	Liability
BPS	Receive	BCOMF1T Index	20,831	3-Month U.S. Treasury Bill rate plus a specified spread	Monthly	02/15/2019	$ 6,874	$ 0	$ (301)	$ 0	$ (301)
	Receive	BCOMTR Index	112,262	3-Month U.S. Treasury Bill rate plus a specified spread	Monthly	02/15/2019	18,742	0	(832)	0	(832)
	Receive	BCOMTR1 Index	27,507	3-Month U.S. Treasury Bill rate plus a specified spread	Monthly	02/15/2019	1,999	0	(89)	0	(89)
CBK	Receive	BCOMF1T Index	105	3-Month U.S. Treasury Bill rate plus a specified spread	Monthly	02/15/2019	35	0	(1)	0	(1)
	Receive	BCOMTR Index	150,958	3-Month U.S. Treasury Bill rate plus a specified spread	Monthly	02/15/2019	25,203	0	(1,118)	0	(1,118)
	Receive	CIXBSTR3 Index	236,898	3-Month U.S. Treasury Bill rate plus a specified spread	Monthly	02/15/2019	42,735	0	(1,872)	0	(1,872)
	Receive	CIXBXMB2 Index	20,129	0.170%	Monthly	02/15/2019	2,189	0	1	1	0
	Receive	CIXBXMB3 Index	18,768	0.170%	Monthly	02/15/2019	2,168	0	7	7	0
CIB	Receive	BCOMTR Index	5,671	3-Month U.S. Treasury Bill rate plus a specified spread	Monthly	02/15/2019	947	0	(42)	0	(42)
	Receive	PIMCODB Index	24,083	0.000%	Monthly	02/15/2019	2,378	0	(94)	0	(94)
FBF	Receive	BCOMTR Index	125,200	3-Month U.S. Treasury Bill rate plus a specified spread	Monthly	02/15/2019	20,903	0	(927)	0	(927)
GST	Receive	BCOMF1T Index	104,963	3-Month U.S. Treasury Bill rate plus a specified spread	Monthly	02/15/2019	34,636	0	(1,515)	0	(1,515)
	Pay	BCOMTR Index	22,381	3-Month U.S. Treasury Bill rate plus a specified spread	Monthly	02/15/2019	3,713	24	118	142	0
	Receive	CMDSKEWLS Index[10]	36,220	0.250%	Monthly	02/15/2019	5,730	0	(42)	0	(42)

Counterparty	Pay/Receive[7]	Underlying Reference	# of Units	Financing Rate	Payment Frequency	Maturity Date	Notional Amount	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Swap Agreements, at Value: Asset	Swap Agreements, at Value: Liability
JPM	Pay	BCOMTR Index	9,797	3-Month U.S. Treasury Bill rate plus a specified spread	Monthly	01/15/2019	$ 1,636	$ 0	$ 72	$ 72	$ 0
	Receive	BCOMF1T Index	672	3-Month U.S. Treasury Bill rate plus a specified spread	Monthly	02/15/2019	222	0	(10)	0	(10)
	Receive	JMABCT3E Index	23,015	0.150%	Monthly	02/15/2019	2,644	0	5	5	0
	Receive	JMABDEWE Index[11]	6,393	0.300%	Monthly	02/15/2019	6,333	0	16	16	0
	Receive	JMABFNJ1 Index[12]	137,645	0.350%	Monthly	02/15/2019	13,868	(21)	(94)	0	(115)
	Receive	JMABNIC2 Index[13]	18,470	0.170%	Monthly	02/15/2019	7,379	0	(285)	0	(285)
MAC	Receive	BCOMTR1 Index	113,048	3-Month U.S. Treasury Bill rate plus a specified spread	Monthly	02/15/2019	10,507	0	(466)	0	(466)
	Receive	BCOMTR2 Index	147,836	3-Month U.S. Treasury Bill rate plus a specified spread	Monthly	02/15/2019	13,015	0	(570)	0	(570)
	Receive	MQCP563E Index	3,643	0.950%	Monthly	02/15/2019	470	0	(1)	0	(1)
	Receive	PIMCODB Index	24,068	0.000%	Monthly	02/15/2019	2,378	0	(94)	0	(94)
MEI	Receive	BCOMTR2 Index	292,026	3-Month U.S. Treasury Bill rate plus a specified spread	Monthly	02/15/2019	36,070	0	(1,544)	0	(1,544)
MYC	Receive	BCOMTR Index	430,298	3-Month U.S. Treasury Bill rate plus a specified spread	Monthly	02/15/2019	71,839	0	(3,188)	0	(3,188)
	Receive	BCOMTR1 Index	232,041	3-Month U.S. Treasury Bill rate plus a specified spread	Monthly	02/15/2019	42,880	0	(1,903)	0	(1,903)
RBC	Receive	RBCAECOT Index	50,266	3-Month U.S. Treasury Bill rate plus a specified spread	Monthly	02/15/2019	2,856	0	(126)	0	(126)
SOG	Receive	BCOMTR Index	2,272	3-Month U.S. Treasury Bill rate plus a specified spread	Monthly	02/15/2019	379	0	(17)	0	(17)
								$ 3	$ (14,912)	$ 243	$ (15,152)

VOLATILITY SWAPS

Counterparty	Pay/Receive Volatility	Reference Entity	Volatility Strike	Payment Frequency	Maturity Date	Notional Amount	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Swap Agreements, at Value: Asset	Swap Agreements, at Value: Liability
GST	Pay	GOLDLNPM Index[8]	7.023%	Maturity	07/29/2020	$ 943	$ 0	$ 46	$ 46	$ 0
	Pay	GOLDLNPM Index[8]	7.840	Maturity	09/09/2020	179	0	10	10	0
JPM	Receive	GOLDLNPM Index[8]	3.861	Maturity	07/29/2020	865	0	(18)	0	(18)
	Receive	GOLDLNPM Index[8]	3.976	Maturity	07/29/2020	78	0	(2)	0	(2)
	Receive	GOLDLNPM Index[8]	4.268	Maturity	09/09/2020	179	0	(4)	0	(4)
MYC	Pay	GOLDLNPM Index[8]	3.294	Maturity	07/17/2019	303	0	5	5	0
	Pay	GOLDLNPM Index[8]	3.240	Maturity	07/26/2019	304	0	5	5	0
	Pay	GOLDLNPM Index[8]	3.063	Maturity	10/08/2019	314	0	4	4	0
	Pay	GOLDLNPM Index[8]	1.960	Maturity	05/12/2020	179	0	0	0	0
	Receive	SLVRLND Index[8]	3.706	Maturity	07/09/2019	260	0	0	0	0
	Receive	SLVRLND Index[8]	7.317	Maturity	07/17/2019	203	0	(7)	0	(7)
	Receive	SLVRLND Index[8]	7.398	Maturity	07/26/2019	202	0	(7)	0	(7)
	Receive	SLVRLND Index[8]	7.023	Maturity	10/08/2019	207	0	(5)	0	(5)
	Receive	SLVRLND Index[8]	4.580	Maturity	05/12/2020	117	0	0	0	0
SOG	Pay	GOLDLNPM Index[8]	1.782	Maturity	06/08/2020	150	0	0	0	0
	Receive	SLVRLND Index[8]	4.410	Maturity	06/08/2020	95	0	0	0	0
	Receive	SPGCICP Index[8]	4.000	Maturity	07/26/2019	50	0	0	0	0
							$ 0	$ 27	$ 70	$ (43)
Total Swap Agreements							**$ (82)**	**$ (16,370)**	**$ 360**	**$ (16,812)**

FINANCIAL DERIVATIVE INSTRUMENTS: OVER THE COUNTER SUMMARY

The following is a summary by counterparty of the market value of OTC financial derivative instruments and collateral pledged/(received) as of December 31, 2018:

	Financial Derivative Assets				Financial Derivative Liabilities						
Counterparty	Forward Foreign Currency Contracts	Purchased Options	Swap Agreements	Total Over the Counter	Forward Foreign Currency Contracts	Written Options	Swap Agreements	Total Over the Counter	Net Market Value of OTC Derivatives	Collateral Pledged/ (Received)	Net Exposure[9]
BOA	$ 0	$ 0	$ 2	$ 2	$ (54)	$ (17)	$ 0	$ (71)	$ (69)	$ 0	$ (69)
BPS	171	0	0	171	(4)	(2)	(1,267)	(1,273)	(1,102)	690	(412)
BRC	0	0	1	1	0	(1)	(1)	(2)	(1)	0	(1)
CBK	371	0	13	384	(121)	(15)	(2,991)	(3,127)	(2,743)	1,806	(937)
CIB	0	0	0	0	0	0	(136)	(136)	(136)	0	(136)

Counterparty	Financial Derivative Assets: Forward Foreign Currency Contracts	Purchased Options	Swap Agreements	Total Over the Counter	Financial Derivative Liabilities: Forward Foreign Currency Contracts	Written Options	Swap Agreements	Total Over the Counter	Net Market Value of OTC Derivatives	Collateral Pledged/ (Received)	Net Exposure[9]
DUB	$ 11	$ 0	$ 1	$ 12	$ (10)	$ 0	$ (1,509)	$ (1,519)	$ (1,507)	$ 1,263	$ (244)
FBF	0	1	0	1	(19)	0	(927)	(946)	(945)	715	(230)
GLM	48	0	5	53	(49)	(4)	(1)	(54)	(1)	(10)	(11)
GST	0	0	217	217	0	(5)	(1,581)	(1,586)	(1,369)	1,481	112
HUS	6	0	1	7	(88)	(1)	0	(89)	(82)	0	(82)
IND	39	0	0	39	0	0	0	0	39	0	39
JPM	221	0	101	322	0	(7)	(440)	(447)	(125)	555	430
MAC	0	0	5	5	0	0	(1,143)	(1,143)	(1,138)	823	(315)
MEI	0	0	0	0	0	0	(1,544)	(1,544)	(1,544)	1,220	(324)
MSB	18	0	0	18	(45)	0	0	(45)	(27)	0	(27)
MYC	0	0	14	14	0	(17)	(5,129)	(5,146)	(5,132)	228	(4,904)
MYI	11	0	0	11	0	0	0	0	11	0	11
RBC	0	0	0	0	0	0	(126)	(126)	(126)	0	(126)
SCX	189	0	0	189	0	0	0	0	189	0	189
SOG	0	0	0	0	0	0	(17)	(17)	(17)	0	(17)
SSB	0	0	0	0	(5)	0	0	(5)	(5)	0	(5)
Total Over the Counter	**$ 1,085**	**$ 1**	**$ 360**	**$ 1,446**	**$ (395)**	**$ (69)**	**$ (16,812)**	**$ (17,276)**			

(m) Securities with an aggregate market value of $13,034 have been pledged as collateral for financial derivative instruments as governed by International Swaps and Derivatives Association, Inc. master agreements as of December 31, 2018.

(1) YOY options may have a series of expirations.

(2) The underlying instrument has a forward starting effective date. See Note 2, Securities Transactions and Investment Income, in the Notes to Financial Statements for further information.

(3) If the Portfolio is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Portfolio will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash, securities or other deliverable obligations equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

(4) Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements on sovereign issues as of period end serve as indicators of the current status of the payment/performance risk and represent the likelihood or risk of default for the credit derivative. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

(5) The maximum potential amount the Portfolio could be required to pay as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.

(6) The prices and resulting values for credit default swap agreements serve as indicators of the current status of the payment/performance risk and represent the likelihood of an expected liability (or profit) for the credit derivative should the notional amount of the swap agreement be closed/sold as of the period end. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced indices' credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

(7) Receive represents that the Portfolio receives payments for any positive net return on the underlying reference. The Portfolio makes payments for any negative net return on such underlying reference. Pay represents that the Portfolio receives payments for any negative net return on the underlying reference. The Portfolio makes payments for any positive net return on such underlying reference.

(8) Variance Swap

(9) Net Exposure represents the net receivable/(payable) that would be due from/to the counterparty in the event of default. Exposure from OTC derivatives can only be netted across transactions governed under the same master agreement with the same legal entity. See Note 7, Principal Risks, in the Notes to Financial Statements for more information regarding master netting agreements.

(10) The following table represents the individual positions within the total return swap as of December 31, 2018:

Referenced Commodity — Long Futures Contracts	% of Index	Notional Amount	Referenced Commodity — Short Futures Contracts	% of Index	Notional Amount
Brent Crude March Futures	10.1%	$ 579	Aluminum February Futures	5.1%	$ 290
New York Harbor ULSD February Futures	7.5	429	Live Cattle February Futures	5.3	303
RBOB Gasoline February Futures	7.4	424	NYMEX — Natural Gas February Futures	15.0	862
WTI Crude February Futures	9.6	549	Wheat March Futures	5.1	294
Total Long Futures Contracts		$ 1,981	Total Short Futures Contracts		$ 1,749
Cash	34.9%	$ 2,000			
		$ 3,981			
Total Notional Amount					**$ 5,730**

(11) The following table represents the individual positions within the total return swap as of December 31, 2018:

Referenced Commodity — Long Futures Contracts	% of Index	Notional Amount	Referenced Commodity — Short Futures Contracts	% of Index	Notional Amount
Brent Crude March Futures	10.4%	$ 661	Aluminum February Futures	2.4%	$ 148
LME — Copper February Futures	2.3	147	Arabica Coffee March Futures	1.3	78
Nickel February Futures	2.3	148	Cocoa March Futures	1.2	78
RBOB Gasoline February Futures	4.5	286	Corn March Futures	5.9	370
Soybean Meal March Futures	5.8	366	ICE — Natural Gas February Futures	2.1	133
Soybeans March Futures	8.1	510	Lean Hogs February Futures	1.2	78
			New York Harbor ULSD February Futures	9.1	578
			NYMEX — Natural Gas February Futures	1.9	122
			Wheat March Futures	5.7	364
			Zinc February Futures	2.4	150
Total Long Futures Contracts		$ 2,118	Total Short Futures Contracts		$ 2,099
Cash	33.4%	$ 2,116			
		$ 4,234			
Total Notional Amount					**$ 6,333**

(12) The following table represents the individual positions within the total return swap as of December 31, 2018:

Referenced Commodity — Long Futures Contracts	% of Index	Notional Amount	Referenced Commodity — Short Futures Contracts	% of Index	Notional Amount
Brent Crude June Futures	4.0%	$ 549	Aluminum May Futures	7.5%	$ 1,040
Cocoa May Futures	4.3	602	Corn May Futures	7.1	983
Cotton No. 02 May Futures	6.9	953	Gas Oil May Futures	4.6	638
Lead May Futures	5.8	809	Gold 100 oz. June Futures	11.1	1,540
LME — Copper May Futures	6.9	962	RBOB Gasoline May Futures	1.2	167
New York Harbor ULSD May Futures	5.9	808	Silver May Futures	1.5	205
Nickel May Futures	2.7	369	Soybeans May Futures	8.2	1,131
Platinum April Futures	3.9	546	Sugar No. 11 May Futures	5.3	740
Zinc May Futures	5.8	810	Wheat May Futures	5.9	824
			WTI Crude May Futures	1.4	192
Total Long Futures Contracts		$ 6,408	Total Short Futures Contracts		$ 7,460
Total Notional Amount					**$ 13,868**

(13) The following table represents the individual positions within the total return swap as of December 31, 2018:

Referenced Commodity — Long Futures Contracts	% of Index	Notional Amount
Brent Crude May Futures	16.6%	$ 1,224
Copper May Futures	8.4	616
Gold 100 oz. April Futures	13.6	1,005
Lean Hogs April Futures	1.1	79
Live Cattle April Futures	2.6	194
New York Harbor ULSD May Futures	6.7	498
Nickel May Futures	8.6	635
RBOB Gasoline May Futures	10.1	744
Silver May Futures	3.9	285
Soybean Meal May Futures	8.0	593
Soybeans May Futures	18.4	1,359
Sugar No. 11 May Futures	2.0	147
Total Long Futures Contracts		$ 7,379
Total Notional Amount		**$ 7,379**

FAIR VALUE OF FINANCIAL DERIVATIVE INSTRUMENTS

The following is a summary of the fair valuation of the Portfolio's derivative instruments categorized by risk exposure. See Note 7, Principal Risks, in the Notes to Financial Statements on risks of the Portfolio.

Fair Values of Financial Derivative Instruments on the Consolidated Statement of Assets and Liabilities as of December 31, 2018:

	Derivatives not accounted for as hedging instruments					
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Total
Financial Derivative Instruments - Assets						
Exchange-traded or centrally cleared						
Purchased Options	$ 0	$ 0	$ 0	$ 0	$ 3	$ 3
Futures	372	0	0	0	120	492
Swap Agreements	0	0	0	0	330	330
	$ 372	$ 0	$ 0	$ 0	$ 453	$ 825
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 1,085	$ 0	$ 1,085
Purchased Options	0	1	0	0	0	1
Swap Agreements	347	4	0	0	9	360
	$ 347	$ 5	$ 0	$ 1,085	$ 9	$ 1,446
	$ 719	$ 5	$ 0	$ 1,085	$ 462	$ 2,271
Financial Derivative Instruments - Liabilities						
Exchange-traded or centrally cleared						
Written Options	$ 62	$ 0	$ 0	$ 0	$ 31	$ 93
Futures	322	0	0	0	224	546
Swap Agreements	0	18	0	0	341	359
	$ 384	$ 18	$ 0	$ 0	$ 596	$ 998
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 395	$ 0	$ 395
Written Options	0	45	0	1	23	69
Swap Agreements	15,301	0	0	0	1,511	16,812
	$ 15,301	$ 45	$ 0	$ 396	$ 1,534	$ 17,276
	$ 15,685	$ 63	$ 0	$ 396	$ 2,130	$ 18,274

The effect of Financial Derivative Instruments on the Consolidated Statement of Operations for the period ended December 31, 2018:

	Derivatives not accounted for as hedging instruments					
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Total
Net Realized Gain (Loss) on Financial Derivative Instruments						
Exchange-traded or centrally cleared						
Purchased Options	$ (47)	$ 0	$ 0	$ 0	$ 3	$ (44)
Written Options	253	0	0	0	231	484
Futures	(87)	0	0	0	1,262	1,175
Swap Agreements	0	(299)	0	0	1,975	1,676
	$ 119	$ (299)	$ 0	$ 0	$ 3,471	$ 3,291
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 2,650	$ 0	$ 2,650
Purchased Options	0	0	0	5	(149)	(144)
Written Options	0	69	0	37	113	219
Swap Agreements	(18,292)	82	0	0	(76)	(18,286)
	$ (18,292)	$ 151	$ 0	$ 2,692	$ (112)	$ (15,561)
	$ (18,173)	$ (148)	$ 0	$ 2,692	$ 3,359	$ (12,270)
Net Change in Unrealized Appreciation (Depreciation) on Financial Derivative Instruments						
Exchange-traded or centrally cleared						
Purchased Options	$ 38	$ 0	$ 0	$ 0	$ (4)	$ 34
Written Options	(54)	0	0	0	(38)	(92)
Futures	(89)	0	0	0	(1,456)	(1,545)
Swap Agreements	0	311	0	0	(488)	(177)
	$ (105)	$ 311	$ 0	$ 0	$ (1,986)	$ (1,780)
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 2,034	$ 0	$ 2,034
Purchased Options	0	(2)	0	0	149	147
Written Options	0	(9)	0	6	(3)	(6)
Swap Agreements	(33,213)	(80)	0	0	(108)	(33,401)
	$ (33,213)	$ (91)	$ 0	$ 2,040	$ 38	$ (31,226)
	$ (33,318)	$ 220	$ 0	$ 2,040	$ (1,948)	$ (33,006)

FAIR VALUE MEASUREMENTS

The following is a summary of the fair valuations according to the inputs used as of December 31, 2018 in valuing the Portfolio's assets and liabilities:

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 12/31/2018
Investments in Securities, at Value				
Corporate Bonds & Notes				
Banking & Finance	$ 0	$ 20,759	$ 0	$ 20,759
Industrials	0	15,914	0	15,914
Utilities	0	6,947	0	6,947
U.S. Government Agencies	0	58,550	0	58,550
U.S. Treasury Obligations	0	362,926	0	362,926
Non-Agency Mortgage-Backed Securities	0	8,082	0	8,082
Asset-Backed Securities	0	28,389	0	28,389
Sovereign Issues	0	18,778	0	18,778
Short-Term Instruments				
Certificates of Deposit	0	2,401	0	2,401
Commercial Paper	0	4,175	0	4,175
Repurchase Agreements	0	29,836	0	29,836
Argentina Treasury Bills	0	179	0	179
Japan Treasury Bills	0	6,661	0	6,661
U.S. Treasury Bills	0	18,418	0	18,418
	$ 0	$ 582,015	$ 0	$ 582,015
Investments in Affiliates, at Value				
Short-Term Instruments				
Central Funds Used for Cash Management Purposes	$ 4,763	$ 0	$ 0	$ 4,763
Total Investments	$ 4,763	$ 582,015	$ 0	$ 586,778

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 12/31/2018
Short Sales, at Value - Liabilities				
U.S. Government Agencies	$ 0	$ (6,441)	$ 0	$ (6,441)
Financial Derivative Instruments - Assets				
Exchange-traded or centrally cleared	491	333	0	824
Over the counter	0	1,446	0	1,446
	$ 491	$ 1,779	$ 0	$ 2,270
Financial Derivative Instruments - Liabilities				
Exchange-traded or centrally cleared	(608)	(390)	0	(998)
Over the counter	0	(17,276)	0	(17,276)
	$ (608)	$ (17,666)	$ 0	$ (18,274)
Total Financial Derivative Instruments	$ (117)	$ (15,887)	$ 0	$ (16,004)
Totals	$ 4,646	$ 559,687	$ 0	$ 564,333

There were no significant transfers into or out of Level 3 during the period ended December 31, 2018.

1. ORGANIZATION

PIMCO Variable Insurance Trust (the "Trust") is a Delaware statutory trust established under a trust instrument dated October 3, 1997. The Trust is registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end management investment company. The Trust is designed to be used as an investment vehicle by separate accounts of insurance companies that fund variable annuity contracts and variable life insurance policies and by qualified pension and retirement plans. Information presented in these financial statements pertains to the Institutional Class, Class M, Administrative Class and Advisor Class shares of the PIMCO CommodityRealReturn® Strategy Portfolio (the "Portfolio") offered by the Trust. Pacific Investment Management Company LLC ("PIMCO") serves as the investment adviser (the "Adviser") for the Portfolio.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Portfolio in the preparation of its financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Portfolio is treated as an investment company under the reporting requirements of U.S. GAAP. The functional and reporting currency for the Portfolio is the U.S. dollar. The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

(a) Securities Transactions and Investment Income Securities transactions are recorded as of the trade date for financial reporting purposes. Securities purchased or sold on a when-issued or delayed-delivery basis may be settled beyond a standard settlement period for the security after the trade date. Realized gains (losses) from securities sold are recorded on the identified cost basis. Dividend income is recorded on the ex-dividend date, except certain dividends from foreign securities where the ex-dividend date may have passed, which are recorded as soon as the Portfolio is informed of the ex-dividend date. Interest income, adjusted for the accretion of discounts and amortization of premiums, is recorded on the accrual basis from settlement date, with the exception of securities with a forward starting effective date, where interest income is recorded on the accrual basis from effective date. For convertible securities, premiums attributable to the conversion feature are not amortized. Estimated tax liabilities on certain foreign securities are recorded on an accrual basis and are reflected as components of interest income or net change in unrealized appreciation (depreciation) on investments on the Consolidated Statement of Operations, as appropriate. Tax liabilities realized as a result of such security sales are reflected as a component of net realized gain (loss) on investments on the Consolidated Statement of Operations. Paydown gains (losses) on mortgage-related and other asset-backed securities, if any, are recorded as components of interest income on the Consolidated Statement of Operations. Income or short-term capital gain distributions received from registered investment companies, if any, are recorded as dividend income. Long-term capital gain distributions received from registered investment companies, if any, are recorded as realized gains.

Debt obligations may be placed on non-accrual status and related interest income may be reduced by ceasing current accruals and writing off interest receivable when the collection of all or a portion of interest has become doubtful based on consistently applied procedures. A debt obligation is removed from non-accrual status when the issuer resumes interest payments or when collectability of interest is probable.

(b) Foreign Currency Translation The market values of foreign securities, currency holdings and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the current exchange rates each business day. Purchases and sales of securities and income and expense items denominated in foreign currencies, if any, are translated into U.S. dollars at the exchange rate in effect on the transaction date. The Portfolio does not separately report the effects of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized gain (loss) and net change in unrealized appreciation (depreciation) from investments on the Consolidated Statement of Operations. The Portfolio may invest in foreign currency-denominated securities and may engage in foreign currency transactions either on a spot (cash) basis at the rate prevailing in the currency exchange market at the time or through a forward foreign currency contract. Realized foreign exchange gains (losses) arising from sales of spot foreign currencies, currency gains (losses) realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid are included in net realized gain (loss) on foreign currency transactions on the Consolidated Statement of Operations. Net unrealized foreign exchange gains (losses) arising from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period are included in net change in unrealized appreciation (depreciation) on foreign currency assets and liabilities on the Consolidated Statement of Operations.

(c) Multi-Class Operations Each class offered by the Trust has equal rights as to assets and voting privileges (except that shareholders of a class have exclusive voting rights regarding any matter relating solely to that class of shares). Income and non-class specific expenses are allocated daily to each class on the basis of the relative net assets. Realized and unrealized capital gains (losses) are allocated daily based on the relative net assets of each class of the Portfolio. Class specific expenses, where applicable, currently include supervisory and administrative and distribution and servicing fees. Under certain circumstances, the per share net asset value ("NAV") of a class of the Portfolio's shares may be different from the per share NAV of another class of shares as a result of the different daily expense accruals applicable to each class of shares.

(d) Distributions to Shareholders Distributions from net investment income, if any, are declared and distributed to shareholders quarterly. Net realized capital gains earned by the Portfolio, if any, will be distributed no less frequently than once each year.

Income distributions and capital gain distributions are determined in accordance with income tax regulations which may differ from U.S. GAAP. Differences between tax regulations and U.S. GAAP may cause timing differences between income and capital gain recognition. Further, the character of investment income and capital gains may be different for certain transactions under the two methods of accounting. As a result, income distributions and capital gain distributions declared during a fiscal period may differ significantly from the net investment income (loss) and realized gains (losses) reported on the Portfolio's annual financial statements presented under U.S. GAAP.

If the Portfolio estimates that a portion of its distribution may be comprised of amounts from sources other than net investment income in accordance with its policies and good accounting practices, the Portfolio will notify shareholders of the estimated composition of such distribution through a Section 19 Notice. For these purposes, the Portfolio estimates the source or sources from which a distribution is paid, to the close of the period as of which it is paid, in reference to its internal accounting records and related accounting practices. If, based on such accounting records and practices, it is estimated that a particular distribution does not include capital gains or paid-in surplus or other capital sources, a Section 19 Notice generally would not be issued. It is important to note that differences exist between the Portfolio's daily internal accounting records and practices, the Portfolio's financial statements presented in accordance with U.S. GAAP, and recordkeeping practices under income tax regulations. For instance, the Portfolio's internal accounting records and practices may take into account, among other factors, tax-related characteristics of certain sources of distributions that differ from treatment under U.S. GAAP. Examples of such differences may include, among others, the treatment of paydowns on mortgage-backed securities purchased at a discount and periodic payments under interest rate swap contracts. Accordingly, among other consequences, it is possible that the Portfolio may not issue a Section 19 Notice in situations where the Portfolio's financial statements prepared later and in accordance with U.S. GAAP and/or the final tax character of those distributions might later report that the sources of those distributions included capital gains and/or a return of capital. Final determination of a distribution's tax character will be provided to shareholders when such information is available.

Distributions classified as a tax basis return of capital, if any, are reflected on the Consolidated Statements of Changes in Net Assets and have been recorded to paid in capital on the Consolidated Statement of Assets and Liabilities. In addition, other amounts have been reclassified between distributable earnings (accumulated loss) and paid in capital on the Consolidated Statement of Assets and Liabilities to more appropriately conform U.S. GAAP to tax characterizations of distributions.

(e) New Accounting Pronouncements In August 2016, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU"), ASU 2016-15, which amends Accounting Standards Codification ("ASC") 230 to clarify guidance on the classification of certain cash receipts and cash payments in the Consolidated Statement of Cash Flows. The ASU is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. The Portfolio has adopted the ASU. The implementation of the ASU did not have an impact on the Portfolio's financial statements.

In November 2016, the FASB issued ASU 2016-18 which amends ASC 230 to provide guidance on the classification and presentation of changes in restricted cash and restricted cash equivalents on the Consolidated Statement of Cash Flows. The ASU is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. The Portfolio has adopted the ASU. The implementation of the ASU did not have an impact on the Portfolio's financial statements.

In March 2017, the FASB issued ASU 2017-08 which provides guidance related to the amortization period for certain purchased callable debt securities held at a premium. The ASU is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods. The Portfolio has adopted the ASU. The implementation of the ASU did not have an impact on the Portfolio's financial statements.

In August 2018, the FASB issued ASU 2018-13 which modifies certain disclosure requirements for fair value measurements in ASC 820. The ASU is effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods. At this time, management has elected to early adopt the amendments that allow for removal of certain disclosure requirements. Management plans to adopt the amendments that require additional fair value measurement disclosures for annual periods beginning after December 15, 2019, and interim periods within those annual periods. Management is currently evaluating the impact of these changes on the financial statements.

In August 2018, the U.S. Securities and Exchange Commission ("SEC") adopted amendments to certain rules and forms for the purpose of disclosure update and simplification. The compliance date for these amendments is 30 days after date of publication in the Federal Register, which was on October 4, 2018. Management has adopted these amendments and the changes are incorporated throughout all periods presented in the financial statements.

3. INVESTMENT VALUATION AND FAIR VALUE MEASUREMENTS

(a) Investment Valuation Policies The price of the Portfolio's shares is based on the Portfolio's NAV. The NAV of the Portfolio, or each of its share classes, as applicable, is determined by dividing the total value of portfolio investments and other assets, less any liabilities attributable to the Portfolio or class, by the total number of shares outstanding of the Portfolio or class.

On each day that the New York Stock Exchange ("NYSE") is open, Portfolio shares are ordinarily valued as of the close of regular trading ("NYSE Close"). Information that becomes known to the Portfolio or its agents after the time as of which NAV has been calculated on a particular day will not generally be used to retroactively adjust the price of a security or the NAV determined earlier that day. The Portfolio reserves the right to change the time as of which its NAV is calculated if the Portfolio closes earlier, or as permitted by the SEC.

For purposes of calculating a NAV, portfolio securities and other assets for which market quotes are readily available are valued at market value. Market value is generally determined on the basis of official closing prices or the last reported sales prices, or if no sales are reported, based on quotes obtained from established market makers or prices (including evaluated prices) supplied by the Portfolio's approved pricing services, quotation reporting systems and other third-party sources (together, "Pricing Services"). The Portfolio will normally use pricing data for domestic equity securities received shortly after the NYSE Close and does not normally take into account trading, clearances or settlements that take place after the NYSE Close. If market value pricing is used, a foreign (non-U.S.) equity security traded on a foreign exchange or on more than one exchange is typically valued using pricing information from the exchange considered by the Adviser to be the primary exchange. A foreign (non-U.S.) equity security will be valued as of the close of trading on the foreign exchange, or the NYSE Close, if the NYSE Close occurs before the end of trading on the foreign exchange. Domestic and foreign (non-U.S.) fixed income securities, non-exchange traded derivatives, and equity options are normally valued on the basis of quotes obtained from brokers and dealers or Pricing Services using data reflecting the earlier closing of the principal markets for those securities. Prices obtained from Pricing Services may be based on, among other things, information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics. Certain fixed income securities purchased on a delayed-delivery basis are marked to market daily until settlement at the forward settlement date. Exchange-traded options, except equity options, futures and options on futures are valued at the settlement price determined by the relevant exchange. Swap agreements are valued on the basis of bid quotes obtained from brokers and dealers or market-based prices supplied by Pricing Services. The Portfolio's investments in open-end management investment companies, other than exchange-traded funds ("ETFs"), are valued at the NAVs of such investments. Open-end management investment companies may include affiliated funds.

If a foreign (non-U.S.) equity security's value has materially changed after the close of the security's primary exchange or principal market but before the NYSE Close, the security may be valued at fair value based on procedures established and approved by the Board of Trustees of the Trust (the "Board"). Foreign (non-U.S.) equity securities that do not trade when the NYSE is open are also valued at fair value. With respect to foreign (non-U.S.) equity securities, the Portfolio may determine the fair value of investments based on information provided by Pricing Services and other third-party vendors, which may recommend fair value or adjustments with reference to other securities, indices or assets. In considering whether fair valuation is required and in determining fair values, the Portfolio may, among other things, consider significant events (which may be considered to include changes in the value of U.S. securities or securities indices) that occur after the close of the relevant market and before the NYSE Close. The Portfolio may utilize modeling tools provided by third-party vendors to determine fair values of foreign (non-U.S.) securities. For these purposes, any movement in the applicable reference index or instrument ("zero trigger") between the earlier close of the applicable foreign market and the NYSE Close may be deemed to be a significant event, prompting the application of the pricing model (effectively resulting in daily fair valuations). Foreign exchanges may permit trading in foreign (non-U.S.) equity securities on days when the Trust is not open for business, which may result in the Portfolio's portfolio investments being affected when shareholders are unable to buy or sell shares.

Senior secured floating rate loans for which an active secondary market exists to a reliable degree will be valued at the mean of the last available bid/ask prices in the market for such loans, as provided by a Pricing Service. Senior secured floating rate loans for which an active secondary market does not exist to a reliable degree will be valued at fair value, which is intended to approximate market value. In valuing a senior secured floating rate loan at fair value, the factors considered may include, but are not limited to, the following: (a) the creditworthiness of the borrower and any intermediate participants, (b) the terms of the loan, (c) recent prices in the market for similar loans, if any, and (d) recent prices in the market for instruments of similar quality, rate, period until next interest rate reset and maturity.

Investments valued in currencies other than the U.S. dollar are converted to the U.S. dollar using exchange rates obtained from Pricing Services. As a result, the value of such investments and, in turn, the NAV of the Portfolio's shares may be affected by changes in the value of currencies in relation to the U.S. dollar. The value of investments traded in markets outside the United States or denominated in currencies other than the U.S. dollar may be affected significantly on a day that the Trust is not open for business. As a result, to the extent that the Portfolio holds foreign (non-U.S.) investments, the value of those investments may change at times when shareholders are unable to buy or sell shares and the value of such investments will be reflected in the Portfolio's next calculated NAV.

Investments for which market quotes or market based valuations are not readily available are valued at fair value as determined in good faith by the Board or persons acting at their direction. The Board has adopted methods for valuing securities and other assets in circumstances where market quotes are not readily available, and has delegated to the Adviser the responsibility for applying the fair valuation methods. In the event that market quotes or market based valuations are not readily available, and the security or asset cannot be valued pursuant to a Board approved valuation method, the value of the security or asset will be determined in good faith by the Board. Market quotes are considered not readily available in circumstances where there is an absence of current or reliable market-based data (e.g., trade information, bid/ask information, indicative market quotations ("Broker Quotes"), Pricing Services' prices), including where events occur after the close of the relevant market, but prior to the NYSE Close, that materially affect the values of the Portfolio's securities or assets. In addition, market quotes are considered not readily available when, due to extraordinary circumstances, the exchanges or markets on which the securities trade do not open for trading for the entire day and no other market prices are available. The Board has delegated, to the Adviser, the responsibility for monitoring significant events that may materially affect the values of the Portfolio's securities or assets and for determining whether the value of the applicable securities or assets should be reevaluated in light of such significant events.

When the Portfolio uses fair valuation to determine the value of a portfolio security or other asset for purposes of calculating its NAV, such investments will not be priced on the basis of quotes from the primary market in which they are traded, but rather may be priced by another method that the Board or persons acting at their direction believe reflects fair value. Fair valuation may require subjective determinations about the value of a security. While the Trust's policy is intended to result in a calculation of the Portfolio's NAV that fairly reflects security values as of the time of pricing, the Trust cannot ensure that fair values determined by the Board or persons acting at their direction would accurately reflect the price that the Portfolio could obtain for a security if it were to dispose of that security as of the time of pricing (for instance, in a forced or distressed sale). The prices used by the Portfolio may differ from the value that would be realized if the securities were sold. The Portfolio's use of fair valuation may also help to deter "stale price arbitrage" as discussed under the "Frequent or Excessive Purchases, Exchanges and Redemptions" section in the Portfolio's prospectus.

(b) Fair Value Hierarchy U.S. GAAP describes fair value as the price that the Portfolio would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. It establishes a fair value hierarchy that prioritizes inputs to valuation methods and requires disclosure of the fair value hierarchy, separately for each major category of assets and liabilities, that segregates fair value measurements into levels (Level 1, 2, or 3). The inputs or methodology used for valuing securities are not necessarily an indication of the risks associated with investing in those securities. Levels 1, 2, and 3 of the fair value hierarchy are defined as follows:

- Level 1 — Quoted prices in active markets or exchanges for identical assets and liabilities.
- Level 2 — Significant other observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market corroborated inputs.
- Level 3 — Significant unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available, which may include assumptions made by the Board or persons acting at their direction that are used in determining the fair value of investments.

In accordance with the requirements of U.S. GAAP, the amounts of transfers into and out of Level 3, if material, are disclosed in the Notes to Consolidated Schedule of Investments for the Portfolio.

For fair valuations using significant unobservable inputs, U.S. GAAP requires a reconciliation of the beginning to ending balances for reported fair values that presents changes attributable to realized gain (loss), unrealized appreciation (depreciation), purchases and sales, accrued discounts (premiums), and transfers into and out of the Level 3 category during the period. The end of period value is used for the transfers between Levels of the Portfolio's assets and liabilities. Additionally, U.S. GAAP requires quantitative information regarding the significant unobservable inputs used in the determination of fair value of assets or liabilities categorized as Level 3 in the fair value hierarchy. In accordance with the requirements of U.S. GAAP, a fair value hierarchy, and if material, a Level 3 reconciliation and details of significant unobservable inputs, have been included in the Notes to Consolidated Schedule of Investments for the Portfolio.

(c) Valuation Techniques and the Fair Value Hierarchy

Level 1 and Level 2 trading assets and trading liabilities, at fair value The valuation methods (or "techniques") and significant inputs used in determining the fair values of portfolio securities or other assets and liabilities categorized as Level 1 and Level 2 of the fair value hierarchy are as follows:

Fixed income securities including corporate, convertible and municipal bonds and notes, U.S. government agencies, U.S. treasury obligations, sovereign issues, bank loans, convertible preferred securities and non-U.S. bonds are normally valued on the basis of quotes obtained from brokers and dealers or Pricing Services that use broker-dealer quotations, reported trades or valuation estimates from their internal pricing models. The Pricing Services' internal models use inputs that are observable such as issuer details, interest rates, yield curves, prepayment speeds, credit risks/spreads, default rates and quoted prices for similar assets. Securities that use similar valuation techniques and inputs as described above are categorized as Level 2 of the fair value hierarchy.

Fixed income securities purchased on a delayed-delivery basis or as a repurchase commitment in a sale-buyback transaction are marked to market daily until settlement at the forward settlement date and are categorized as Level 2 of the fair value hierarchy.

Mortgage-related and asset-backed securities are usually issued as separate tranches, or classes, of securities within each deal. These securities are also normally valued by Pricing Services that use broker-dealer quotations, reported trades or valuation estimates from their internal pricing models. The pricing models for these securities usually consider tranche-level attributes, current market data, estimated cash flows and market-based yield spreads for each tranche, and incorporate deal collateral performance, as available. Mortgage-related and asset-backed securities that use similar valuation techniques and inputs as described above are categorized as Level 2 of the fair value hierarchy.

Common stocks, ETFs, exchange-traded notes and financial derivative instruments, such as futures contracts, rights and warrants, or options on futures that are traded on a national securities exchange, are stated at the last reported sale or settlement price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized as Level 1 of the fair value hierarchy.

Valuation adjustments may be applied to certain securities that are solely traded on a foreign exchange to account for the market movement between the close of the foreign market and the NYSE Close. These securities are valued using Pricing Services that consider the correlation of the trading patterns of the foreign security to the intraday trading in the U.S. markets for investments. Securities using these valuation adjustments are categorized as Level 2 of the fair value hierarchy. Preferred securities and other equities traded on inactive markets or valued by reference to similar instruments are also categorized as Level 2 of the fair value hierarchy.

Investments in registered open-end investment companies (other than ETFs) will be valued based upon the NAVs of such investments and are categorized as Level 1 of the fair value hierarchy. Investments in unregistered open-end investment companies will be calculated based upon the NAVs of such investments and are considered Level 1 provided that the NAVs are observable, calculated daily and are the value at which both purchases and sales will be conducted.

Equity exchange-traded options and over the counter financial derivative instruments, such as forward foreign currency contracts and options contracts derive their value from underlying asset prices, indices, reference rates, and other inputs or a combination of these factors. These contracts are normally valued on the basis of quotes obtained from a quotation reporting system, established market makers or Pricing Services (normally determined as of the NYSE Close). Depending on the product and the terms of the transaction, financial derivative instruments can be valued by Pricing Services using a series of techniques, including simulation pricing models. The pricing models use inputs that are observed from actively quoted markets such as quoted prices, issuer details, indices, bid/ask spreads, interest rates, implied volatilities, yield curves, dividends and exchange rates. Financial derivative instruments that use similar valuation techniques and inputs as described above are categorized as Level 2 of the fair value hierarchy.

Centrally cleared swaps and over the counter swaps derive their value from underlying asset prices, indices, reference rates, and other inputs or a combination of these factors. They are valued using a broker-dealer bid quotation or on market-based prices provided by Pricing Services (normally determined as of the NYSE close). Centrally cleared

swaps and over the counter swaps can be valued by Pricing Services using a series of techniques, including simulation pricing models. The pricing models may use inputs that are observed from actively quoted markets such as the overnight index swap rate ("OIS"), London Interbank Offered Rate ("LIBOR") forward rate, interest rates, yield curves and credit spreads. These securities are categorized as Level 2 of the fair value hierarchy.

Level 3 trading assets and trading liabilities, at fair value When a fair valuation method is applied by the Adviser that uses significant unobservable inputs, investments will be priced by a method that the Board or persons acting at their direction believe reflects fair value and are categorized as Level 3 of the fair value hierarchy.

Short-term debt instruments (such as commercial paper) having a remaining maturity of 60 days or less may be valued at amortized cost, so long as the amortized cost value of such short-term debt instruments is approximately the same as the fair value of the instrument as determined without the use of amortized cost valuation. These securities are categorized as Level 2 or Level 3 of the fair value hierarchy depending on the source of the base price.

4. SECURITIES AND OTHER INVESTMENTS

(a) Investments in Affiliates

The Portfolio may invest in the PIMCO Short Asset Portfolio and the PIMCO Short-Term Floating NAV Portfolio III ("Central Funds") to the extent permitted by the Act and rules thereunder. The Central Funds are registered investment companies created for use solely by the series of the Trust and other series of registered investment companies advised by the Adviser, in connection with their cash management activities. The main investments of the Central Funds are money market and short maturity fixed income instruments. The Central Funds may incur expenses related to their investment activities, but do not pay Investment Advisory Fees or Supervisory and Administrative Fees to the Adviser. The Central Funds are considered to be affiliated with the Portfolio. The table below shows the Portfolio's transactions in and earnings from investments in the affiliated Funds for the period ended December 31, 2018 (amounts in thousands†):

Investment in PIMCO Short-Term Floating NAV Portfolio III

Market Value 12/31/2017	Purchases at Cost	Proceeds from Sales	Net Realized Gain (Loss)	Change in Unrealized Appreciation (Depreciation)	Market Value 12/31/2018	Dividend Income[(1)]	Realized Net Capital Gain Distributions[(1)]
$ 7,727	$ 131,635	$ (134,600)	$ 3	$ (2)	$ 4,763	$ 35	$ 0

† A zero balance may reflect actual amounts rounding to less than one thousand.

(1) The tax characterization of distributions is determined in accordance with Federal income tax regulations and may contain a return of capital. The actual tax characterization of distributions received is determined at the end of the fiscal year of the affiliated fund. See Note 2, Distributions to Shareholders, in the Notes to Financial Statements for more information.

(b) Investments in Securities

The Portfolio may utilize the investments and strategies described below to the extent permitted by the Portfolio's investment policies.

Delayed-Delivery Transactions involve a commitment by the Portfolio to purchase or sell securities for a predetermined price or yield, with payment and delivery taking place beyond the customary settlement period. When delayed-delivery transactions are outstanding, the Portfolio will designate or receive as collateral liquid assets in an amount sufficient to meet the purchase price or respective obligations. When purchasing a security on a delayed-delivery basis, the Portfolio assumes the rights and risks of ownership of the security, including the risk of price and yield fluctuations, and takes such fluctuations into account when determining its NAV. The Portfolio may dispose of or renegotiate a delayed-delivery transaction after it is entered into, which may result in a realized gain (loss). When the Portfolio has sold a security on a delayed-delivery basis, the Portfolio does not participate in future gains (losses) with respect to the security.

Inflation-Indexed Bonds are fixed income securities whose principal value is periodically adjusted by the rate of inflation. The interest rate on these bonds is generally fixed at issuance at a rate lower than typical bonds. Over the life of an inflation-indexed bond, however, interest will be paid based on a principal value which is adjusted for inflation. Any increase or decrease in the principal amount of an inflation-indexed bond will be included as interest income on the Consolidated Statement of Operations, even though investors do not receive their principal until maturity. Repayment of the original bond principal upon maturity (as adjusted for inflation) is guaranteed in the case of U.S. Treasury Inflation-Protected Securities ("TIPS"). For bonds that do not provide a similar guarantee, the adjusted principal value of the bond repaid at maturity may be less than the original principal.

Mortgage-Related and Other Asset-Backed Securities directly or indirectly represent a participation in, or are secured by and payable from, loans on real property. Mortgage-related securities are created from pools of residential or commercial mortgage loans, including mortgage loans made by savings and loan institutions, mortgage bankers, commercial banks and others. These securities provide a monthly payment which consists of both interest and principal. Interest may be determined by fixed or adjustable rates. The rate of prepayments on underlying mortgages will affect the price and volatility of a mortgage-related security, and may have the effect of shortening or extending the effective duration of the security relative to what was anticipated at the time of purchase. The timely payment of principal and interest of certain mortgage-related securities is guaranteed with the full faith and credit of the U.S. Government. Pools created and guaranteed by non-governmental issuers, including government-sponsored corporations, may be supported by various forms of insurance or guarantees, but there can be no assurance that private insurers or guarantors can meet their obligations under the insurance policies or guarantee arrangements. Many of the risks of investing in mortgage-related securities secured by commercial mortgage loans reflect the effects of local and other economic conditions on real estate markets, the ability of tenants to make lease payments, and the ability of a property to attract and retain tenants. These securities may be less liquid and may exhibit greater price volatility than other types of mortgage-related or other asset-backed securities. Other asset-backed securities are created from many types of assets, including, but not limited to, auto loans, accounts receivable, such as credit card receivables and hospital account receivables, home equity loans, student loans, boat loans, mobile home loans, recreational vehicle loans, manufactured housing loans, aircraft leases, computer leases and syndicated bank loans.

Collateralized Debt Obligations ("CDOs") include Collateralized Bond Obligations ("CBOs"), Collateralized Loan Obligations ("CLOs") and other similarly structured securities. CBOs and CLOs are types of asset-backed securities. A CBO is a trust which is backed by a diversified pool of high risk, below investment grade fixed income securities. A CLO is a trust typically collateralized by a pool of loans, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans, and subordinate corporate loans, including loans that may be rated below investment grade or equivalent unrated loans. The risks of an investment in a CDO depend largely on the type of the collateral securities and the class of the CDO in which the Portfolio invests. In addition to the normal risks associated with fixed income securities discussed elsewhere in this report and the Portfolio's prospectus and statement of additional information (e.g., prepayment risk, credit risk, liquidity risk, market risk, structural risk, legal risk and interest rate risk (which may be exacerbated if the interest rate payable on a structured financing changes based on multiples of changes in interest rates or inversely to changes in interest rates)), CBOs, CLOs and other CDOs carry additional risks including, but not limited to, (i) the possibility that distributions from collateral securities will not be adequate to make interest or other payments, (ii) the quality of the collateral may decline in value or default, (iii) the risk that the Portfolio may invest in CBOs, CLOs, or other CDOs that are subordinate to other classes, and (iv) the complex structure of the security may not be fully understood at the time of investment and may produce disputes with the issuer or unexpected investment results.

Collateralized Mortgage Obligations ("CMOs") are debt obligations of a legal entity that are collateralized by whole mortgage loans or private mortgage bonds and divided into classes. CMOs are structured into multiple classes, often referred to as "tranches", with each class bearing a different stated maturity and entitled to a different schedule for payments of principal and interest, including prepayments. CMOs may be less liquid and may exhibit greater price volatility than other types of mortgage-related or asset-backed securities.

Stripped Mortgage-Backed Securities ("SMBS") are derivative multi-class mortgage securities. SMBS are usually structured with two classes that receive different proportions of the interest and principal distributions on a pool of mortgage assets. An SMBS will have one class that will receive all of the interest (the interest-only or "IO" class), while the other class will receive the entire principal (the principal-only or "PO" class). Payments received for IOs are included in interest income on the Consolidated Statement of Operations. Because no principal will be received at the maturity of an IO, adjustments are made to the cost of the security on a monthly basis until maturity. These adjustments are included in interest income on the Consolidated Statement of Operations. Payments received for POs are treated as reductions to the cost and par value of the securities.

Perpetual Bonds are fixed income securities with no maturity date but pay a coupon in perpetuity (with no specified ending or maturity date). Unlike typical fixed income securities, there is no obligation for perpetual bonds to repay principal. The coupon payments, however, are mandatory. While perpetual bonds have no maturity date, they may have a callable date in which the perpetuity is eliminated and the issuer may return the principal received on the specified call date. Additionally, a perpetual bond may have additional features, such as interest rate increases at periodic dates or an increase as of a predetermined point in the future.

Securities Issued by U.S. Government Agencies or Government-Sponsored Enterprises are obligations of and, in certain cases, guaranteed by, the U.S. Government, its agencies or instrumentalities. Some U.S. Government securities, such as Treasury bills, notes and bonds, and securities guaranteed by the Government National Mortgage Association ("GNMA" or "Ginnie Mae"), are supported by the full faith and credit of the U.S. Government; others, such as those of the Federal Home Loan Banks, are supported by the right of the issuer to borrow from the U.S. Department of the Treasury (the "U.S.

Treasury"); and others, such as those of the Federal National Mortgage Association ("FNMA" or "Fannie Mae"), are supported by the discretionary authority of the U.S. Government to purchase the agency's obligations. U.S. Government securities may include zero coupon securities. Zero coupon securities do not distribute interest on a current basis and tend to be subject to a greater risk than interest-paying securities.

Government-related guarantors (i.e., not backed by the full faith and credit of the U.S. Government) include FNMA and the Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac"). FNMA is a government-sponsored corporation. FNMA purchases conventional (i.e., not insured or guaranteed by any government agency) residential mortgages from a list of approved seller/servicers which include state and federally chartered savings and loan associations, mutual savings banks, commercial banks and credit unions and mortgage bankers. Pass-through securities issued by FNMA are guaranteed as to timely payment of principal and interest by FNMA, but are not backed by the full faith and credit of the U.S. Government. FHLMC issues Participation Certificates ("PCs"), which are pass-through securities, each representing an undivided interest in a pool of residential mortgages. FHLMC guarantees the timely payment of interest and ultimate collection of principal, but PCs are not backed by the full faith and credit of the U.S. Government.

Roll-timing strategies can be used where the Portfolio seeks to extend the expiration or maturity of a position, such as a TBA security on an underlying asset, by closing out the position before expiration and opening a new position with respect to substantially the same underlying asset with a later expiration date. TBA securities purchased or sold are reflected on the Consolidated Statement of Assets and Liabilities as an asset or liability, respectively.

5. BORROWINGS AND OTHER FINANCING TRANSACTIONS

The Portfolio may enter into the borrowings and other financing transactions described below to the extent permitted by the Portfolio's investment policies.

The following disclosures contain information on the Portfolio's ability to lend or borrow cash or securities to the extent permitted under the Act, which may be viewed as borrowing or financing transactions by the Portfolio. The location of these instruments in the Portfolio's financial statements is described below.

(a) Repurchase Agreements Under the terms of a typical repurchase agreement, the Portfolio purchases an underlying debt obligation (collateral) subject to an obligation of the seller to repurchase, and the Portfolio to resell, the obligation at an agreed-upon price and time. In an open maturity repurchase agreement, there is no pre-determined repurchase date and the agreement can be terminated by the Portfolio or counterparty at any time. The underlying securities for all repurchase agreements are held by the Portfolio's custodian or designated subcustodians under tri-party repurchase agreements and in certain instances will remain in custody with the counterparty. The market value of the collateral must be equal to or exceed the total amount of the repurchase obligations, including interest. Repurchase agreements, if any, including accrued interest, are included on the Consolidated Statement of Assets and Liabilities. Interest earned is recorded as a component of interest income on the Consolidated Statement of Operations. In periods of increased demand for collateral, the Portfolio may pay a fee for the receipt of collateral, which may result in interest expense to the Portfolio.

(b) Reverse Repurchase Agreements In a reverse repurchase agreement, the Portfolio delivers a security in exchange for cash to a financial institution, the counterparty, with a simultaneous agreement to repurchase the same or substantially the same security at an agreed upon price and date. In an open maturity reverse repurchase agreement, there is no pre-determined repurchase date and the agreement can be terminated by the Portfolio or counterparty at any time. The Portfolio is entitled to receive principal and interest payments, if any, made on the security delivered to the counterparty during the term of the agreement. Cash received in exchange for securities delivered plus accrued interest payments to be made by the Portfolio to counterparties are reflected as a liability on the Consolidated Statement of Assets and Liabilities. Interest payments made by the Portfolio to counterparties are recorded as a component of interest expense on the Consolidated Statement of Operations. In periods of increased demand for the security, the Portfolio may receive a fee for use of the security by the counterparty, which may result in interest income to the Portfolio. The Portfolio will segregate assets determined to be liquid by the Adviser or will otherwise cover its obligations under reverse repurchase agreements.

(c) Sale-Buybacks A sale-buyback financing transaction consists of a sale of a security by the Portfolio to a financial institution, the counterparty, with a simultaneous agreement to repurchase the same or substantially the same security at an agreed-upon price and date. The Portfolio is not entitled to receive principal and interest payments, if any, made on the security sold to the counterparty during the term of the agreement. The agreed-upon proceeds for securities to be repurchased by the Portfolio are reflected as a liability on the Consolidated Statement of Assets and Liabilities. The Portfolio will recognize net income represented by the price differential between the price received for the transferred security and the agreed-upon repurchase price. This is commonly referred to as the 'price drop'. A price drop consists of (i) the foregone interest and inflationary income adjustments, if any, the Portfolio would have otherwise received had the security not been sold and (ii) the negotiated financing terms between the Portfolio and counterparty. Foregone interest and inflationary income adjustments, if any, are recorded as components of interest income on the Consolidated Statement of Operations. Interest payments based upon negotiated financing terms made by the Portfolio to counterparties are recorded as a component of interest expense on the Consolidated Statement of Operations. In periods of increased demand for the security, the Portfolio may receive a fee for use of the security by the counterparty, which may result in interest income to the Portfolio. The Portfolio will segregate assets determined to be liquid by the Adviser or will otherwise cover its obligations under sale-buyback transactions.

(d) Short Sales Short sales are transactions in which the Portfolio sells a security that it may not own. The Portfolio may make short sales of securities to (i) offset potential declines in long positions in similar securities, (ii) to increase the flexibility of the Portfolio, (iii) for investment return, (iv) as part of a risk arbitrage strategy, and (v) as part of its overall portfolio management strategies involving the use of derivative instruments. When the Portfolio engages in a short sale, it may borrow the security sold short and deliver it to the counterparty. The Portfolio will ordinarily have to pay a fee or premium to borrow a security and be obligated to repay the lender of the security any dividend or interest that accrues on the security during the period of the loan. Securities sold in short sale transactions and the dividend or interest payable on such securities, if any, are reflected as payable for short sales on the Consolidated Statement of Assets and Liabilities. Short sales expose the Portfolio to the risk that it will be required to cover its short position at a time when the security or other asset has appreciated in value, thus resulting in losses to the Portfolio. A short sale is "against the box" if the Portfolio holds in its portfolio or has the right to acquire the security sold short, or securities identical to the security sold short, at no additional cost. The Portfolio will be subject to additional risks to the extent that it engages in short sales that are not "against the box." The Portfolio's loss on a short sale could theoretically be unlimited in cases where the Portfolio is unable, for whatever reason, to close out its short position.

6. FINANCIAL DERIVATIVE INSTRUMENTS

The Portfolio may enter into the financial derivative instruments described below to the extent permitted by the Portfolio's investment policies.

The following disclosures contain information on how and why the Portfolio uses financial derivative instruments, and how financial derivative instruments affect the Portfolio's financial position, results of operations and cash flows. The location and fair value amounts of these instruments on the Consolidated Statement of Assets and Liabilities and the net realized gain (loss) and net change in unrealized appreciation (depreciation) on the Consolidated Statement of Operations, each categorized by type of financial derivative contract and related risk exposure, are included in a table in the Notes to Consolidated Schedule of Investments. The financial derivative instruments outstanding as of period end and the amounts of net realized gain (loss) and net change in unrealized appreciation (depreciation) on financial derivative instruments during the period, as disclosed in the Notes to Consolidated Schedule of Investments, serve as indicators of the volume of financial derivative activity for the Portfolio.

(a) Forward Foreign Currency Contracts may be engaged, in connection with settling planned purchases or sales of securities, to hedge the currency exposure associated with some or all of the Portfolio's securities or as part of an investment strategy. A forward foreign currency contract is an agreement between two parties to buy and sell a currency at a set price on a future date. The market value of a forward foreign currency contract fluctuates with changes in foreign currency exchange rates. Forward foreign currency contracts are marked to market daily, and the change in value is recorded by the Portfolio as an unrealized gain (loss). Realized gains (losses) are equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed and are recorded upon delivery or receipt of the currency. These contracts may involve market risk in excess of the unrealized gain (loss) reflected on the Consolidated Statement of Assets and Liabilities. In addition, the Portfolio could be exposed to risk if the counterparties are unable to meet the terms of the contracts or if the value of the currency changes unfavorably to the U.S. dollar. To mitigate such risk, cash or securities may be exchanged as collateral pursuant to the terms of the underlying contracts.

(b) Futures Contracts are agreements to buy or sell a security or other asset for a set price on a future date. The Portfolio may use futures contracts to manage its exposure to the securities markets or to movements in interest rates and currency values. The primary risks associated with the use of futures contracts are the imperfect correlation between the change in market value of the securities held by the Portfolio and the prices of futures contracts and the possibility of an illiquid market. Futures contracts are valued based upon their quoted daily settlement prices. Upon entering into a futures contract, the Portfolio is required to deposit with its futures broker an amount of cash, U.S. Government and Agency Obligations, or select sovereign debt, in accordance with the initial margin requirements of the broker or exchange. Futures contracts are marked to market daily and based on such movements in the price of the contracts, an appropriate payable or receivable for the change in value may be posted or collected by the Portfolio ("Futures Variation Margin"). Gains (losses) are recognized but not considered realized until the contracts expire or close. Futures contracts involve, to varying degrees, risk of loss in excess of the Futures Variation Margin included within exchange traded or centrally cleared financial derivative instruments on the Consolidated Statement of Assets and Liabilities.

(c) Options Contracts may be written or purchased to enhance returns or to hedge an existing position or future investment. The Portfolio may write call and put options on securities and financial derivative instruments it owns or in which it may invest. Writing put options tends to increase the Portfolio's exposure to the underlying instrument. Writing call options tends to decrease the Portfolio's exposure to the underlying instrument. When the Portfolio writes a call or put, an amount equal to the premium received is recorded and subsequently marked to market to reflect the current value of the option written. These amounts are included on the Consolidated Statement of Assets and Liabilities. Premiums received from writing options which expire are treated as realized gains. Premiums received from writing options which are exercised or closed are added to the proceeds or offset against amounts paid on the underlying futures, swap, security or currency transaction to determine the realized gain (loss). Certain options may be written with premiums to be determined on a future date. The premiums for these options are based upon implied volatility parameters at specified terms. The Portfolio as a writer of an option has no control over whether the underlying instrument may be sold ("call") or purchased ("put") and as a result bears the market risk of an unfavorable change in the price of the instrument underlying the written option. There is the risk the Portfolio may not be able to enter into a closing transaction because of an illiquid market.

Purchasing call options tends to increase the Portfolio's exposure to the underlying instrument. Purchasing put options tends to decrease the Portfolio's exposure to the underlying instrument. The Portfolio pays a premium which is included as an asset on the Consolidated Statement of Assets and Liabilities and subsequently marked to market to reflect the current value of the option. Premiums paid for purchasing options which expire are treated as realized losses. Certain options may be purchased with premiums to be determined on a future date. The premiums for these options are based upon implied volatility parameters at specified terms. The risk associated with purchasing put and call options is limited to the premium paid. Premiums paid for purchasing options which are exercised or closed are added to the amounts paid or offset against the proceeds on the underlying investment transaction to determine the realized gain (loss) when the underlying transaction is executed.

Commodity Options are options on commodity futures contracts ("Commodity Option"). The underlying instrument for the Commodity Option is not the commodity itself, but rather a futures contract for that commodity. The exercise of a Commodity Option will not include physical delivery of the underlying commodity but will result in a cash transfer for the amount of the difference between the current market value of the underlying futures contract and the strike price. For an option that is in-the-money, the Portfolio will normally offset its position rather than exercise the option to retain any remaining time value.

Credit Default Swaptions may be written or purchased to hedge exposure to the credit risk of an investment without making a commitment to the underlying instrument. A credit default swaption is an option to sell or buy credit protection on a specific reference by entering into a pre-defined swap agreement by some specified date in the future.

Foreign Currency Options may be written or purchased to be used as a short or long hedge against possible variations in foreign exchange rates or to gain exposure to foreign currencies.

Inflation-Capped Options may be written or purchased to enhance returns or for hedging opportunities. The purpose of purchasing inflation-capped options is to protect the Portfolio from inflation erosion above a certain rate on a given notional exposure. A floor can be used to give downside protection to investments in inflation-linked products.

Interest Rate-Capped Options may be written or purchased to enhance returns or for hedging opportunities. The purpose of purchasing interest rate-capped options is to protect the Portfolio from floating rate risk above a certain rate on a given notional exposure. A floor can be used to give downside protection to investments in interest rate linked products.

Interest Rate Swaptions may be written or purchased to enter into a pre-defined swap agreement or to shorten, extend, cancel or otherwise modify an existing swap agreement, by some specified date in the future. The writer of the swaption becomes the counterparty to the swap if the buyer exercises. The interest rate swaption agreement will specify whether the buyer of the swaption will be a fixed-rate receiver or a fixed-rate payer upon exercise.

Options on Exchange-Traded Futures Contracts ("Futures Option") may be written or purchased to hedge an existing position or future investment, for speculative purposes or to manage exposure to market movements. A Futures Option is an option contract in which the underlying instrument is a single futures contract.

Options on Securities may be written or purchased to enhance returns or to hedge an existing position or future investment. An option on a security uses a specified security as the underlying instrument for the option contract.

(d) Swap Agreements are bilaterally negotiated agreements between the Portfolio and a counterparty to exchange or swap investment cash flows, assets, foreign currencies or market-linked returns at specified, future intervals. Swap agreements may be privately negotiated in the over the counter market ("OTC swaps") or may be cleared through a third party, known as a central counterparty or derivatives clearing organization ("Centrally Cleared Swaps"). The Portfolio may enter into asset, credit default, cross-currency, interest rate, total return, variance and other forms of swap agreements to manage its exposure to credit, currency, interest rate, commodity, equity and inflation risk. In connection with these agreements, securities or cash may be identified as collateral or margin in accordance with the terms of the respective swap agreements to provide assets of value and recourse in the event of default or bankruptcy/insolvency.

Centrally Cleared Swaps are marked to market daily based upon valuations as determined from the underlying contract or in accordance with the requirements of the central counterparty or derivatives clearing organization. Changes in market value, if any, are reflected as a component of net change in unrealized appreciation (depreciation) on the Consolidated Statement of Operations. Daily changes in valuation of centrally cleared swaps ("Swap Variation Margin"), if any, are disclosed within centrally cleared financial derivative instruments on the Consolidated Statement of Assets and Liabilities. Centrally Cleared and OTC swap payments received or paid at the beginning of the measurement period are included on the Consolidated Statement of Assets and Liabilities and represent premiums paid or received upon entering into the swap agreement to compensate for differences between the stated terms of the swap agreement and prevailing market conditions (credit spreads, currency exchange rates, interest rates, and other relevant factors). Upfront premiums received (paid) are initially recorded as liabilities (assets) and subsequently marked to market to reflect the current value of the swap. These upfront premiums are recorded as realized gain (loss) on the Consolidated Statement of Operations upon termination or maturity of the swap. A liquidation payment received or made at the termination of the swap is recorded as realized gain (loss) on the Consolidated Statement of Operations. Net periodic payments received or paid by the Portfolio are included as part of realized gain (loss) on the Consolidated Statement of Operations.

For purposes of applying certain of the Portfolio's investment policies and restrictions, swap agreements, like other derivative instruments, may be valued by the Portfolio at market value, notional value or full exposure value. In the case of a credit default swap, in applying certain of the Portfolio's investment policies and restrictions, the Portfolio will value the credit default swap at its notional value or its full exposure value (*i.e.,* the sum of the notional amount for the contract plus the market value), but may value the credit default swap at market value for purposes of applying certain of the Portfolio's other investment policies and restrictions. For example, the Portfolio may value credit default swaps at full exposure value for purposes of the Portfolio's credit quality guidelines (if any) because such value in general better reflects the Portfolio's actual economic exposure during the term of the credit default swap agreement. As a result, the Portfolio may, at times, have notional exposure to an asset class (before netting) that is greater or lesser than the stated limit or restriction noted in the Portfolio's prospectus. In this context, both the notional amount and the market value may be positive or negative depending on whether the Portfolio is selling or buying protection through the credit default swap. The manner in which certain securities or other instruments are valued by the Portfolio for purposes of applying investment policies and restrictions may differ from the manner in which those investments are valued by other types of investors.

Entering into swap agreements involves, to varying degrees, elements of interest, credit, market and documentation risk in excess of the amounts recognized on the Consolidated Statement of Assets and Liabilities. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to the agreements may default on its obligation to perform or disagree as to the meaning of contractual terms in the agreements and that there may be unfavorable changes in interest rates or the values of the asset upon which the swap is based.

The Portfolio's maximum risk of loss from counterparty credit risk is the discounted net value of the cash flows to be received from the counterparty over the contract's remaining life, to the extent that amount is positive. The risk may be mitigated by having a master netting arrangement between the Portfolio and the counterparty and by the posting of collateral to the Portfolio to cover the Portfolio's exposure to the counterparty.

To the extent the Portfolio has a policy to limit the net amount owed to or to be received from a single counterparty under existing swap agreements, such limitation only applies to counterparties to OTC swaps and does not apply to centrally cleared swaps where the counterparty is a central counterparty or derivatives clearing organization.

Commodity Forward Swap Agreements ("Commodity Forwards") are entered into to gain or mitigate exposure to the underlying referenced commodity. Commodity Forwards involve commitments between two parties where cash flows are exchanged at a future date based on the difference between a fixed and variable price with respect to the number of units of the commodity. At the maturity date, a net cash flow is exchanged, where the payoff amount is equivalent to the difference between the fixed and variable price of the underlying commodity multiplied by the number of units. To the extent the difference between the fixed and variable price of the underlying referenced commodity exceeds or falls short of the offsetting payment obligation, the Portfolio will receive a payment from or make a payment to the counterparty.

Credit Default Swap Agreements on corporate, loan, sovereign, U.S. municipal or U.S. Treasury issues are entered into to provide a measure of protection against defaults of the issuers (*i.e.,* to reduce risk where the Portfolio owns or has exposure to the referenced obligation) or to take an active long or short position with respect to the likelihood of a particular issuer's default. Credit default swap agreements involve one party making a stream of payments (referred to as the buyer of protection) to another party (the seller of protection) in exchange for the right to receive a specified return in the event that the referenced entity, obligation or index, as specified in the swap agreement, undergoes a certain credit event. As a seller of protection on credit default swap agreements, the Portfolio will generally receive from the buyer of protection a fixed rate of income throughout the term of the swap provided that there is no credit event. As the seller, the Portfolio would effectively add leverage to its portfolio because, in addition to its total net assets, the Portfolio would be subject to investment exposure on the notional amount of the swap.

If the Portfolio is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Portfolio will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation, other deliverable obligations or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index. If the Portfolio is a buyer of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Portfolio will either (i) receive from the seller of protection an amount equal to the notional amount of the swap and deliver the referenced obligation, other deliverable obligations or underlying securities comprising the referenced index or (ii) receive a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index. Recovery values are estimated by market makers considering either industry standard recovery rates or entity specific factors and considerations until a credit event occurs. If a credit event has occurred, the recovery value is determined by a facilitated auction whereby a minimum number of allowable broker bids, together with a specified valuation method, are used to calculate the settlement value. The ability to deliver other obligations may result in a cheapest-to-deliver option (the buyer of protection's right to choose the deliverable obligation with the lowest value following a credit event).

Credit default swap agreements on credit indices involve one party making a stream of payments to another party in exchange for the right to receive a specified return in the event of a write-down, principal shortfall, interest shortfall or default of all or part of the referenced entities comprising the credit index. A credit index is a basket of credit instruments or exposures designed to be representative of some part of the credit market as a whole. These indices are made up of reference credits that are judged by a poll of dealers to be the most liquid entities in the credit default swap market based on the sector of the index. Components of the indices may include, but are not limited to, investment grade securities, high yield securities, asset-backed securities, emerging markets, and/or various credit ratings within each sector. Credit indices are traded using credit default swaps with standardized terms including a fixed spread and standard maturity dates. An index credit default swap references all the names in the index, and if there is a default, the credit event is settled based on that name's weight in the index. The composition of the indices changes periodically, usually every six months, and for most indices, each name has an equal weight in the index. The Portfolio may use credit default swaps on credit indices to hedge a portfolio of credit default swaps or bonds, which is less expensive than it would be to buy many credit default swaps to achieve a similar effect. Credit default swaps on indices are instruments for protecting investors owning bonds against default, and traders use them to speculate on changes in credit quality.

Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements on corporate, loan, sovereign, U.S. municipal or U.S. Treasury issues as of period end, if any, are disclosed in the Notes to Consolidated Schedule of Investments. They serve as an indicator of the current status of payment/performance risk and represent the likelihood or risk of default for the reference entity. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement. For credit default swap agreements on asset-backed securities and credit indices, the quoted market prices and resulting values serve as the indicator of the current status of the payment/performance risk. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

The maximum potential amount of future payments (undiscounted) that the Portfolio as a seller of protection could be required to make under a credit default swap agreement equals the notional amount of the agreement. Notional amounts of each individual credit default swap agreement outstanding as of period end for which the Portfolio is the seller of protection are disclosed in the Notes to Consolidated Schedule of Investments. These potential amounts would be partially offset by any recovery values of the respective referenced obligations, upfront payments received upon entering into the agreement, or net amounts received from the settlement of buy protection credit default swap agreements entered into by the Portfolio for the same referenced entity or entities.

Interest Rate Swap Agreements may be entered into to help hedge against interest rate risk exposure and to maintain the Portfolio's ability to generate income at prevailing market rates. The value of the fixed rate bonds that the Portfolio holds may decrease if interest rates rise. To help hedge against this risk and to maintain its ability to generate income at prevailing market rates, the Portfolio may enter into interest rate swap agreements. Interest rate swap agreements involve the exchange by the Portfolio with another party for their respective commitment to pay or receive interest on the notional amount of principal. Certain forms of interest rate swap agreements may include: (i) interest rate caps, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates exceed a specified rate, or "cap", (ii) interest rate floors, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates fall below a specified rate, or "floor", (iii) interest rate collars, under which a party sells a cap and purchases a floor or vice versa in an attempt to protect itself against interest rate movements exceeding given minimum or maximum levels, (iv) callable interest rate swaps, under which the buyer pays an upfront fee in consideration for the right to early terminate the swap transaction in whole, at zero cost and at a predetermined date and time prior to the maturity date, (v) spreadlocks, which allow the interest rate swap users to lock in the forward differential (or spread) between the interest rate swap rate and a specified benchmark, or (vi) basis swaps, under which two parties can exchange variable interest rates based on different segments of money markets.

Total Return Swap Agreements are entered into to gain or mitigate exposure to the underlying reference asset. Total return swap agreements involve commitments where single or multiple cash flows are exchanged based on the price of an underlying reference asset and on a fixed or variable interest rate. Total return swap agreements may involve commitments to pay interest in exchange for a market-linked return. One counterparty pays out the total return of a specific underlying reference asset, which may include a single security, a basket of securities, or an index, and in return receives a fixed or variable rate. At the maturity date, a net cash flow is exchanged where the total return is equivalent to the return of the underlying reference asset less a financing rate, if any. As a receiver, the Portfolio would receive payments based on any net positive total return and would owe payments in the event of a net negative total return. As the payer, the Portfolio would owe payments on any net positive total return, and would receive payments in the event of a net negative total return.

Volatility Swap Agreements are also known as forward volatility agreements and volatility swaps and are agreements in which the counterparties agree to make payments in connection with changes in the volatility (*i.e.,* the magnitude of change over a specified period of time) of an underlying referenced instrument, such as a currency, rate, index, security or other financial instrument. Volatility swaps permit the parties to attempt to hedge volatility risk and/or take positions on the projected future volatility of an underlying referenced instrument. For example, the Portfolio may enter into a volatility swap in order to take the position that the referenced instrument's volatility will increase over a particular period of time. If the referenced instrument's volatility does increase over the specified time, the Portfolio will receive payment from its counterparty based upon the amount by which the referenced instrument's realized volatility level exceeds a volatility level agreed upon by the parties. If the referenced instrument's volatility does not increase over the specified time, the Portfolio will make a payment to the counterparty based upon the amount by which the referenced instrument's realized volatility level falls below the volatility level agreed upon by the parties. At the maturity date, a net cash flow is exchanged, where the payoff amount is equivalent to the difference between the realized price volatility of the referenced instrument and the strike multiplied by the notional amount. As a receiver of the realized price volatility, the Portfolio would receive the payoff amount when the realized price volatility of the referenced instrument is greater than the strike and would owe the payoff amount when the volatility is less than the strike. As a payer of the realized price volatility, the Portfolio would owe the payoff amount when the realized price volatility of the referenced instrument is greater than the strike and would receive the payoff amount when the volatility is less than the strike. Payments on a volatility swap will be greater if they are based upon the mathematical square of volatility (*i.e.,* the measured volatility multiplied by itself, which is referred to as "variance"). This type of volatility swap is frequently referred to as a variance swap.

7. PRINCIPAL RISKS

The principal risks of investing in the Portfolio, which could adversely affect its net asset value, yield and total return, are listed below. Under certain conditions, generally in a market where the value of both commodity-linked derivative instruments and fixed income securities are declining, the Portfolio may experience substantial losses. Please see "Description of Principal Risks" in the Portfolio's prospectus for a more detailed description of the risks of investing in the Portfolio.

Interest Rate Risk is the risk that fixed income securities will decline in value because of an increase in interest rates; a portfolio with a longer average portfolio duration will be more sensitive to changes in interest rates than a portfolio with a shorter average portfolio duration.

Call Risk is the risk that an issuer may exercise its right to redeem a fixed income security earlier than expected (a call). Issuers may call outstanding securities prior to their maturity for a number of reasons (*e.g.,* declining interest rates, changes in credit spreads and improvements in the issuer's credit quality). If an issuer calls a security that the Portfolio has invested in, the Portfolio may not recoup the full amount of its initial investment and may be forced to reinvest in lower-yielding securities, securities with greater credit risks or securities with other, less favorable features.

Credit Risk is the risk that the Portfolio could lose money if the issuer or guarantor of a fixed income security, or the counterparty to a derivative contract, is unable or unwilling to meet its financial obligations.

High Yield Risk is the risk that high yield securities and unrated securities of similar credit quality (commonly known as "junk bonds") are subject to greater levels of credit, call and liquidity risks. High yield securities are considered primarily speculative with respect to the issuer's continuing ability to make principal and interest payments, and may be more volatile than higher-rated securities of similar maturity.

Market Risk is the risk that the value of securities owned by the Portfolio may go up or down, sometimes rapidly or unpredictably, due to factors affecting securities markets generally or particular industries.

Issuer Risk is the risk that the value of a security may decline for a reason directly related to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods or services.

Liquidity Risk is the risk that a particular investment may be difficult to purchase or sell and that the Portfolio may be unable to sell illiquid securities at an advantageous time or price or achieve its desired level of exposure to a certain sector. Liquidity risk may result from the lack of an active market, reduced number and capacity of traditional market participants to make a market in fixed income securities, and may be magnified in a rising interest rate environment or other circumstances where investor redemptions from fixed income mutual funds may be higher than normal, causing increased supply in the market due to selling activity.

Derivatives Risk is the risk of investing in derivative instruments (such as futures, swaps and structured securities), including leverage, liquidity, interest rate, market, credit and management risks, mispricing or valuation complexity. Changes in the value of the derivative may not correlate perfectly with, and may be more sensitive to market events than, the underlying asset, rate or index, and the Portfolio could lose more than the initial amount invested. The Portfolio's use of derivatives may result in losses to the Portfolio, a reduction in the Portfolio's returns and/or increased volatility. Over-the-counter ("OTC") derivatives are also subject to the risk that a counterparty to the transaction will not fulfill its contractual obligations to the other party, as many of the protections afforded to centrally-cleared derivative transactions might not be available for OTC derivatives. For derivatives traded on an exchange or through a central counterparty, credit risk resides with the Portfolio's clearing broker, or the clearinghouse itself, rather than with a counterparty in an OTC derivative transaction. Changes in regulation relating to a mutual fund's use of derivatives and related instruments could potentially limit or impact the Portfolio's ability to invest in derivatives, limit the Portfolio's ability to employ certain strategies that use derivatives and/or adversely affect the value of derivatives and the Portfolio's performance.

Commodity Risk is the risk that investing in commodity-linked derivative instruments may subject the Portfolio to greater volatility than investments in traditional securities. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments.

Equity Risk is the risk that the value of equity securities, such as common stocks and preferred securities, may decline due to general market conditions which are not specifically related to a particular company or to factors affecting a particular industry or industries. Equity securities generally have greater price volatility than fixed income securities.

Mortgage-Related and Other Asset-Backed Securities Risk is the risk of investing in mortgage-related and other asset-backed securities, including interest rate risk, extension risk, prepayment risk and credit risk.

Foreign (Non-U.S.) Investment Risk is the risk that investing in foreign (non-U.S.) securities may result in the Portfolio experiencing more rapid and extreme changes in value than a portfolio that invests exclusively in securities of U.S. companies, due to smaller markets, differing reporting, accounting and auditing standards, increased risk of delayed settlement of portfolio transactions or loss of certificates of portfolio securities, and the risk of unfavorable foreign government actions, including nationalization, expropriation or confiscatory taxation, currency blockage, or political changes or diplomatic developments. Foreign securities may also be less liquid and more difficult to value than securities of U.S. issuers.

Emerging Markets Risk is the risk of investing in emerging market securities, primarily increased foreign (non-U.S.) investment risk.

Sovereign Debt Risk is the risk that investments in fixed income instruments issued by sovereign entities may decline in value as a result of default or other adverse credit event resulting from an issuer's inability or unwillingness to make principal or interest payments in a timely fashion.

Currency Risk is the risk that foreign (non-U.S.) currencies will change in value relative to the U.S. dollar and affect the Portfolio's investments in foreign (non-U.S.) currencies or in securities that trade in, and receive revenues in, or in derivatives that provide exposure to, foreign (non-U.S.) currencies.

Leveraging Risk is the risk that certain transactions of the Portfolio, such as reverse repurchase agreements, loans of portfolio securities, and the use of when-issued, delayed delivery or forward commitment transactions, or derivative instruments, may give rise to leverage, magnifying gains and losses and causing the Portfolio to be more volatile than if it had not been leveraged. This means that leverage entails a heightened risk of loss.

Management Risk is the risk that the investment techniques and risk analyses applied by PIMCO will not produce the desired results and that legislative, regulatory, or tax restrictions, policies or developments may affect the investment techniques available to PIMCO and the individual portfolio manager in connection with managing the Portfolio. There is no guarantee that the investment objective of the Portfolio will be achieved.

Tax Risk is the risk that the tax treatment of swap agreements and other derivative instruments, such as commodity-linked derivative instruments, including commodity index-linked notes, swap agreements, commodity options, futures, and options on futures, may be affected by future regulatory or legislative changes that could affect whether income from such investments is "qualifying income" under Subchapter M of the Internal Revenue Code, or otherwise affect the character, timing and/or amount of the Portfolio's taxable income or gains and distributions.

Subsidiary Risk is the risk that, by investing in the CRRS Subsidiary, the Portfolio is indirectly exposed to the risks associated with the CRRS Subsidiary's investments. The CRRS Subsidiary is not registered under the 1940 Act and may not be subject to all the investor protections of the 1940 Act. There is no guarantee that the investment objective of the CRRS Subsidiary will be achieved.

Short Exposure Risk is the risk of entering into short sales, including the potential loss of more money than the actual cost of the investment, and the risk that the third party to the short sale will not fulfill its contractual obligations, causing a loss to the Portfolio.

8. MASTER NETTING ARRANGEMENTS

The Portfolio may be subject to various netting arrangements ("Master Agreements") with select counterparties. Master Agreements govern the terms of certain transactions, and are intended to reduce the counterparty risk associated with relevant transactions by specifying credit protection mechanisms and providing standardization that is intended to improve legal certainty. Each type of Master Agreement governs certain types of transactions. Different types of transactions may be traded out of different legal entities or affiliates of a particular organization, resulting in the need for multiple agreements with a single counterparty. As the Master Agreements are specific to unique operations of different asset types, they allow the Portfolio to close out and net its total exposure to a counterparty in the event of a default with respect to all the transactions governed under a single Master Agreement with a counterparty. For financial reporting purposes the Consolidated Statement of Assets and Liabilities generally presents derivative assets and liabilities on a gross basis, which reflects the full risks and exposures prior to netting.

Master Agreements can also help limit counterparty risk by specifying collateral posting arrangements at pre-arranged exposure levels. Under most Master Agreements, collateral is routinely transferred if the total net exposure to certain transactions (net of existing collateral already in place) governed under the relevant Master Agreement with a counterparty in a given account exceeds a specified threshold, which typically ranges from zero to $250,000 depending on the counterparty and the type of Master Agreement. United States Treasury Bills and U.S. dollar cash are generally the preferred forms of collateral, although other securities may be used depending on the terms outlined in the applicable Master Agreement. Securities and cash pledged as collateral are reflected as assets on the Consolidated Statement of Assets and Liabilities as either a component of Investments at value (securities) or Deposits with counterparty. Cash collateral received is not typically held in a segregated account and as such is reflected as a liability on the Consolidated Statement of Assets and Liabilities as Deposits from counterparty. The market value of any securities received as collateral is not reflected as a component of NAV. The Portfolio's overall exposure to counterparty risk can change substantially within a short period, as it is affected by each transaction subject to the relevant Master Agreement.

Master Repurchase Agreements and Global Master Repurchase Agreements (individually and collectively "Master Repo Agreements") govern repurchase, reverse repurchase, and certain sale-buyback transactions between the Portfolio and select counterparties. Master Repo Agreements maintain provisions for, among other things, initiation, income payments, events of default, and maintenance of collateral. The market value of transactions under the Master Repo Agreement, collateral pledged or received, and the net exposure by counterparty as of period end are disclosed in the Notes to Consolidated Schedule of Investments.

Master Securities Forward Transaction Agreements ("Master Forward Agreements") govern certain forward settling transactions, such as TBA securities, delayed-delivery or certain sale-buyback transactions by and between the Portfolio and select counterparties. The Master Forward Agreements maintain provisions for, among other things, transaction initiation and confirmation, payment and transfer, events of default, termination, and maintenance of collateral. The market value of forward settling transactions, collateral pledged or received, and the net exposure by counterparty as of period end is disclosed in the Notes to Consolidated Schedule of Investments.

Customer Account Agreements and related addenda govern cleared derivatives transactions such as futures, options on futures, and cleared OTC derivatives. Such transactions require posting of initial margin as determined by each relevant clearing agency which is segregated in an account at a futures commission merchant ("FCM") registered with the Commodity Futures Trading Commission ("CFTC"). In the United States, counterparty risk may be reduced as creditors of an FCM cannot have a claim to Portfolio assets in the segregated account. Portability of exposure reduces risk to the Portfolio. Variation margin, or changes in market value, are exchanged daily, but may not be netted between futures and cleared OTC derivatives unless the parties have agreed to a separate arrangement in respect of portfolio margining. The market value or accumulated unrealized appreciation (depreciation), initial margin posted, and any unsettled variation margin as of period end are disclosed in the Notes to Consolidated Schedule of Investments.

International Swaps and Derivatives Association, Inc. Master Agreements and Credit Support Annexes ("ISDA Master Agreements") govern bilateral OTC derivative transactions entered into by the Portfolio with select counterparties. ISDA Master Agreements maintain provisions for general obligations, representations, agreements, collateral posting and events of default or termination. Events of termination include conditions that may entitle counterparties to elect to terminate early and cause settlement of all outstanding transactions under the applicable ISDA Master Agreement. Any election to terminate early could be material to the financial statements. In limited circumstances, the ISDA Master Agreement may contain additional provisions that add counterparty protection beyond coverage of existing daily exposure if the counterparty has a decline in credit quality below a predefined level. These amounts, if any, may be segregated with a third-party custodian. The market value of OTC financial derivative instruments, collateral received or pledged, and net exposure by counterparty as of period end are disclosed in the Notes to Consolidated Schedule of Investments.

9. FEES AND EXPENSES

(a) Investment Advisory Fee PIMCO is a majority-owned subsidiary of Allianz Asset Management of America L.P. ("Allianz Asset Management") and serves as the Adviser to the Trust, pursuant to an investment advisory contract. The Adviser receives a monthly fee from the Portfolio at an annual rate based on average daily net assets (the "Investment Advisory Fee"). The Investment Advisory Fee for all classes is charged at an annual rate as noted in the table in note (b) below.

(b) Supervisory and Administrative Fee PIMCO serves as administrator (the "Administrator") and provides supervisory and administrative services to the Trust for which it receives a monthly supervisory and administrative fee based on each share class's average daily net assets (the "Supervisory and Administrative Fee"). As the Administrator, PIMCO bears the costs of various third-party services, including audit, custodial, portfolio accounting, legal, transfer agency and printing costs.

The Investment Advisory Fee and Supervisory and Administrative Fees for all classes, as applicable, are charged at the annual rate as noted in the following table (calculated as a percentage of the Portfolio's average daily net assets attributable to each class):

Investment Advisory Fee	Supervisory and Administrative Fee			
All Classes	Institutional Class	Class M	Administrative Class	Advisor Class
0.49%	0.25%	0.25%	0.25%	0.25%

(c) Distribution and Servicing Fees PIMCO Investments LLC, a wholly-owned subsidiary of PIMCO, serves as the distributor ("Distributor") of the Trust's shares.

The Trust has adopted an Administrative Services Plan with respect to the Administrative Class shares of the Portfolio pursuant to Rule 12b-1 under the Act (the "Administrative Plan"). Under the terms of the Administrative Plan, the Trust is permitted to compensate the Distributor, out of the Administrative Class assets of the Portfolio, in an amount up to 0.15% on an annual basis of the average daily net assets of that class, for providing or procuring through financial intermediaries administrative, recordkeeping and investor services for Administrative Class shareholders of the Portfolio.

The Trust has adopted a separate Distribution and Servicing Plan for each of the Advisor Class and Class M shares of the Portfolio (the "Distribution and Servicing Plans"). The Distribution and Servicing Plans have been adopted pursuant to Rule 12b-1 under the Act. The Distribution and Servicing Plans permit the Portfolio to compensate the Distributor for providing or procuring through financial intermediaries, distribution, administrative, recordkeeping, shareholder and/or related services with respect to Advisor Class and Class M shares. The Distribution and Servicing Plans permit the Portfolio to make total payments at an annual rate of up to 0.25% of its average daily net assets attributable to its Advisor Class or Class M shares, respectively. The Distribution and Servicing Plan for Class M shares also permits the Portfolio to compensate the Distributor for providing or procuring administrative, recordkeeping, and other investor services at an annual rate of up to 0.20% of its average daily net assets attributable to its Class M shares.

	Distribution Fee	Servicing Fee
Class M	0.25%	0.20%
Administrative Class	—	0.15%
Advisor Class	0.25%	—

(d) Portfolio Expenses PIMCO provides or procures supervisory and administrative services for shareholders and also bears the costs of various third-party services required by the Portfolio, including audit, custodial, portfolio accounting, legal, transfer agency and printing costs. The Trust is responsible for the following expenses: (i) taxes and governmental fees; (ii) brokerage fees and commissions and other portfolio transaction expenses; (iii) the costs of borrowing money, including interest expense; (iv) fees and expenses of the Trustees who are not "interested persons" of PIMCO or the Trust, and any counsel retained exclusively for their benefit; (v) extraordinary expense, including costs of litigation and indemnification expenses; (vi) organizational expenses; and (vii) any expenses allocated or allocable to a specific class of shares, which include service fees payable with respect to the Administrative Class Shares, and may include certain other expenses as permitted by the Trust's Multi-Class Plan adopted pursuant to Rule 18f-3 under the Act and subject to review and approval by the Trustees. The ratio of expenses to average net assets per share class, as disclosed on the Financial Highlights, may differ from the annual portfolio operating expenses per share class.

Each Trustee, other than those affiliated with PIMCO or its affiliates, receives an annual retainer of $41,200, plus $4,250 for each Board meeting attended in person, $850 for each committee meeting attended and $750 for each Board meeting attended telephonically, plus reimbursement of related expenses. In addition, the audit committee chair receives an additional annual retainer of $8,000, the valuation oversight committee lead receives an additional annual retainer of $8,500 (to the extent there are co-leads of the valuation oversight committee, the annual retainer will be split evenly between the co-leads, so that each co-lead individually receives an additional annual retainer of $4,250) and each other committee chair receives an additional annual retainer of $5,500. The Lead Independent Trustee receives an annual retainer of $7,000.

These expenses are allocated on a pro rata basis to each Portfolio of the Trust according to its respective net assets. The Trust pays no compensation directly to any Trustee or any other officer who is affiliated with the Administrator, all of whom receive remuneration for their services to the Trust from the Administrator or its affiliates.

(e) Expense Limitation Pursuant to the Expense Limitation Agreement, PIMCO has agreed to waive a portion of the Portfolio's Supervisory and Administrative Fee, or reimburse the Portfolio, to the extent that the Portfolio's organizational expenses, pro rata share of expenses related to obtaining or maintaining a Legal Entity Identifier and pro rata share of Trustee Fees exceed 0.0049%, the "Expense Limit" (calculated as a percentage of the Portfolio's average daily net assets attributable to each class). The Expense Limitation Agreement will automatically renew for one-year terms unless PIMCO provides written notice to the Trust at least 30 days prior to the end of the then current term.

Under certain conditions, PIMCO may be reimbursed for these waived amounts in future periods, not to exceed thirty-six months after the waiver. At December 31, 2018, there were no recoverable amounts.

(f) Acquired Fund Fees and Expenses PIMCO Cayman Commodity Portfolio I, Ltd. has (the "Commodity Subsidiary") entered into a separate contract with PIMCO for the management of the Commodity Subsidiary's portfolio pursuant to which the Commodity Subsidiary pays PIMCO a management fee and an administrative services fee at the annual rates of 0.49% and 0.20%, respectively, of its net assets. PIMCO has contractually agreed to waive the Portfolio's Investment Advisory Fee and the Supervisory and Administrative Fee in an amount equal to the management fee and administrative services fee, respectively, paid by the Commodity Subsidiary to PIMCO. This waiver may not be terminated by PIMCO and will remain in effect for as long as PIMCO's contract with the Commodity Subsidiary is in place. The waiver is reflected in the Consolidated Statement of Operations as a component of Waiver and/or Reimbursement by PIMCO. For the period ended December 31, 2018, the amount was $562,686. See Note 14, Basis for Consolidation in the Notes to Financial Statements for more information regarding the Commodity Subsidiary.

10. RELATED PARTY TRANSACTIONS

The Adviser, Administrator, and Distributor are related parties. Fees paid to these parties are disclosed in Note 9, Fees and Expenses, and the accrued related party fee amounts are disclosed on the Consolidated Statement of Assets and Liabilities.

The Portfolio is permitted to purchase or sell securities from or to certain related affiliated portfolios under specified conditions outlined in procedures adopted by the Board. The procedures have been designed to ensure that any purchase or sale of securities by the

Portfolio from or to another fund or portfolio that are, or could be, considered an affiliate, or an affiliate of an affiliate, by virtue of having a common investment adviser (or affiliated investment advisers), common Trustees and/or common officers complies with Rule 17a-7 under the Act. Further, as defined under the procedures, each transaction is effected at the current market price. Purchases and sales of securities pursuant to Rule 17a-7 under the Act for the period ended December 31, 2018, were as follows (amounts in thousands†):

Purchases	Sales
$ 3,083	$ 0

† A zero balance may reflect actual amounts rounding to less than one thousand.

11. GUARANTEES AND INDEMNIFICATIONS

Under the Trust's organizational documents, each Trustee, officer, employee or other agent of the Trust (including the Trust's investment manager) is indemnified, to the extent permitted by the Act, against certain liabilities that may arise out of performance of their duties to the Portfolio. Additionally, in the normal course of business, the Portfolio enters into contracts that contain a variety of indemnification clauses. The Portfolio's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Portfolio that have not yet occurred. However, the Portfolio has not had prior claims or losses pursuant to these contracts.

12. PURCHASES AND SALES OF SECURITIES

The length of time the Portfolio has held a particular security is not generally a consideration in investment decisions. A change in the securities held by the Portfolio is known as "portfolio turnover." The Portfolio may engage in frequent and active trading of portfolio securities to achieve its investment objective, particularly during periods of volatile market movements. High portfolio turnover may involve correspondingly greater transaction costs to the Portfolio, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestments in other securities. Such sales may also result in realization of taxable capital gains, including short-term capital gains (which are generally taxed at ordinary income tax rates). The transaction costs and tax effects associated with portfolio turnover may adversely affect a shareholder's performance. The portfolio turnover rates are reported in the Financial Highlights.

Purchases and sales of securities (excluding short-term investments) for the period ended December 31, 2018, were as follows (amounts in thousands†):

U.S. Government/Agency		All Other	
Purchases	Sales	Purchases	Sales
$ 1,121,804	$ 1,148,209	$ 70,123	$ 57,687

† A zero balance may reflect actual amounts rounding to less than one thousand.

13. SHARES OF BENEFICIAL INTEREST

The Trust may issue an unlimited number of shares of beneficial interest with a $0.001 par value. Changes in shares of beneficial interest were as follows (shares and amounts in thousands†):

	Year Ended 12/31/2018		Year Ended 12/31/2017	
	Shares	Amount	Shares	Amount
Receipts for shares sold				
Institutional Class	225	$ 1,554	176	$ 1,250
Class M	9	57	14	90
Administrative Class	8,319	58,104	7,257	52,646
Advisor Class	2,507	17,775	2,252	16,464
Issued as reinvestment of distributions				
Institutional Class	10	67	41	287
Class M	1	9	8	57
Administrative Class	780	5,381	4,079	28,472
Advisor Class	343	2,395	1,894	13,385
Cost of shares redeemed				
Institutional Class	(139)	(953)	(172)	(1,262)
Class M	(8)	(53)	(15)	(103)
Administrative Class	(9,871)	(68,306)	(7,704)	(55,946)
Advisor Class	(3,086)	(21,671)	(2,933)	(21,372)
Net increase (decrease) resulting from Portfolio share transactions	(910)	$ (5,641)	4,897	$ 33,968

† A zero balance may reflect actual amounts rounding to less than one thousand.

As of December 31, 2018, two shareholders each owned 10% or more of the Portfolio’s total outstanding shares comprising 29% of the Portfolio. One of the shareholders is a related party and comprises 12% of the Portfolio. Related parties may include, but are not limited to, the investment manager and its affiliates, affiliated broker dealers, fund of funds and directors or employees of the Trust or Adviser.

14. BASIS FOR CONSOLIDATION

The Commodity Subsidiary, a Cayman Islands exempted company, was incorporated on July 21, 2006, as a wholly owned subsidiary acting as an investment vehicle for the Portfolio in order to effect certain investments for the Portfolio consistent with the Portfolio’s investment objectives and policies as specified in its prospectus and statement of additional information. The Portfolio’s investment portfolio has been consolidated and includes the portfolio holdings of the Portfolio and the Commodity Subsidiary. The consolidated financial statements include the accounts of the Portfolio and the Commodity Subsidiary. All inter-company transactions and balances have been eliminated. A subscription agreement was entered into between the Portfolio and the Commodity Subsidiary on August 1, 2006, comprising the entire issued share capital of the Commodity Subsidiary, with the intent that the Portfolio will remain the sole shareholder and retain all rights. Under the Memorandum and Articles of Association, shares issued by the Commodity Subsidiary confer upon a shareholder the right to receive notice of, to attend and to vote at general meetings of the Commodity Subsidiary and shall confer upon the shareholder rights in a winding-up or repayment of capital and the right to participate in the profits or assets of the Commodity Subsidiary. The net assets of the Commodity Subsidiary as of period end represented 11.9% of the Portfolio’s consolidated net assets.

15. REGULATORY AND LITIGATION MATTERS

The Portfolio is not named as a defendant in any material litigation or arbitration proceedings and is not aware of any material litigation or claim pending or threatened against it.

The foregoing speaks only as of the date of this report.

16. FEDERAL INCOME TAX MATTERS

The Portfolio intends to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code (the “Code”) and distribute all of its taxable income and net realized gains, if applicable, to shareholders. Accordingly, no provision for Federal income taxes has been made.

The Portfolio may be subject to local withholding taxes, including those imposed on realized capital gains. Any applicable foreign capital gains tax is accrued daily based upon net unrealized gains, and may be payable following the sale of any applicable investments.

In accordance with U.S. GAAP, the Adviser has reviewed the Portfolio’s tax positions for all open tax years. As of December 31, 2018, the Portfolio has recorded no liability for net unrecognized tax benefits relating to uncertain income tax positions it has taken or expects to take in future tax returns.

The Portfolio files U.S. federal, state, and local tax returns as required. The Portfolio’s tax returns are subject to examination by 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.

The Portfolio may gain exposure to the commodities markets primarily through index-linked notes, and may invest in other commodity-linked derivative investments, including commodity swap agreements, options, futures contracts, options on futures contracts and foreign funds investing in similar commodity-linked derivatives.

The Portfolio may also gain exposure indirectly to commodity markets by investing in the Commodity Subsidiary, which invests primarily in commodity-linked derivative instruments backed by a portfolio of inflation-indexed securities and/or other fixed income instruments.

One of the requirements for favorable tax treatment as a regulated investment company under the Code is that the Portfolio must derive at least 90% of its gross income from certain qualifying sources of income. The IRS has issued a revenue ruling which holds that income derived from commodity index-linked swaps is not qualifying income under Subchapter M of the Code. The IRS has also issued private letter rulings in which the IRS specifically concluded that income from certain commodity index- linked notes is qualifying income. The IRS has also issued private letter rulings in which the IRS specifically concluded that income derived from an investment in a subsidiary, which invests primarily in commodity-linked swaps, will also be qualifying income. Based on the reasoning in such rulings, the Portfolio will continue to seek to gain exposure to the commodity markets primarily through investments in commodity-linked notes and through investments in the Commodity Subsidiary.

It should be noted, however, that the IRS currently has suspended the issuance of such rulings pending further review. In addition, the IRS also recently issued a revenue procedure, which states that the IRS will not in the future issue private letter rulings that would require a determination of whether an asset (such as a commodity index-linked note) is a “security” under the 1940 Act.

There can be no assurance that the IRS will not change its position that income derived from commodity-linked notes and wholly-owned subsidiaries is qualifying income. Furthermore, the tax treatment of commodity-linked notes, other commodity-linked derivatives, and the Portfolio's investments in the Commodity Subsidiary may otherwise be adversely affected by future legislation, court decisions, Treasury Regulations and/or guidance issued by the IRS. Such developments could affect the character, timing and/or amount of the Portfolio's taxable income or any distributions made by the Portfolio or result in the inability of the Portfolio to operate as described in its Prospectus.

The IRS recently issued proposed regulations that, if finalized, would generally treat the Portfolio's income inclusion with respect to the Commodity Subsidiary as qualifying income only if there is a distribution out of the earnings and profits of the Commodity Subsidiary that are attributable to such income inclusion. The proposed regulations, if adopted, would apply to taxable years beginning on or after 90 days after the regulations are published as final.

If, during a taxable year, the Commodity Subsidiary's taxable losses (and other deductible items) exceed its income and gains, the net loss will not pass through to the Portfolio as a deductible amount for income tax purposes. In the event the Commodity Subsidiary's taxable gains exceed its losses and other deductible items during a taxable year, the net gain will pass through to the Portfolio as income for Federal income tax purposes.

Shares of the Portfolio currently are sold to segregated asset accounts ("Separate Accounts") of insurance companies that fund variable annuity contracts and variable life insurance policies ("Variable Contracts"). Please refer to the prospectus for the Separate Account and Variable Contract for information regarding Federal income tax treatment of distributions to the Separate Account.

As of December 31, 2018, the components of distributable taxable earnings are as follows (amounts in thousands†):

	Undistributed Ordinary Income(1)	Undistributed Long-Term Capital Gains	Net Tax Basis Unrealized Appreciation/ (Depreciation)(2)	Other Book-to-Tax Accounting Differences(3)	Accumulated Capital Losses(4)	Qualified Late-Year Loss Deferral - Capital(5)	Qualified Late-Year Loss Deferral - Ordinary(6)
PIMCO CommodityRealReturn® Strategy Portfolio	$ 7,971	$ 0	$ (13,488)	$ 0	$ (37,010)	$ 0	$ 0

† A zero balance may reflect actual amounts rounding to less than one thousand.
(1) Includes undistributed short-term capital gains, if any.
(2) Adjusted for open wash sale loss deferrals and the accelerated recognition of unrealized gain or loss on certain futures, options and forward contracts for federal income tax purposes. Also adjusted for differences between book and tax realized and unrealized gain (loss) on swap contracts, treasury inflation-protected securities (TIPS), sale/buyback transactions, and straddle loss deferrals.
(3) Represents differences in income tax regulations and financial accounting principles generally accepted in the United States of America.
(4) Capital losses available to offset future net capital gains expire in varying amounts as shown below.
(5) Capital losses realized during the period November 1, 2018 through December 31, 2018 which the Portfolio elected to defer to the following taxable year pursuant to income tax regulations.
(6) Specified losses realized during the period November 1, 2018 through December 31, 2018 which the Portfolio elected to defer to the following taxable year pursuant to income tax regulations.

Under the Regulated Investment Company Modernization Act of 2010, a fund is permitted to carry forward any new capital losses for an unlimited period. Additionally, such capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term under previous law.

As of December 31, 2018, the Portfolio had the following post-effective capital losses with no expiration (amounts in thousands†):

	Short-Term	Long-Term
PIMCO CommodityRealReturn® Strategy Portfolio	$ 13,841	$ 23,169

† A zero balance may reflect actual amounts rounding to less than one thousand.

As of December 31, 2018, the aggregate cost and the net unrealized appreciation/(depreciation) of investments for federal income tax purposes are as follows (amounts in thousands†):

	Federal Tax Cost	Unrealized Appreciation	Unrealized (Depreciation)	Net Unrealized Appreciation/ (Depreciation)(7)
PIMCO CommodityRealReturn® Strategy Portfolio	$ 577,053	$ 10,857	$ (24,362)	$ (13,505)

† A zero balance may reflect actual amounts rounding to less than one thousand.
(7) Primary differences, if any, between book and tax net unrealized appreciation/(depreciation) on investments are attributable to open wash sale loss deferrals, unrealized gain or loss on certain futures, options and forward contracts, treasury inflation protected securities (TIPS), sale/buyback transactions, realized and unrealized gain (loss) swap contracts, and straddle loss deferrals.

For the fiscal year ended December 31, 2018 and December 31, 2017, respectively, the Portfolio made the following tax basis distributions (amounts in thousands†):

	December 31, 2018			December 31, 2017		
	Ordinary Income Distributions(8)	Long-Term Capital Gain Distributions	Return of Capital(9)	Ordinary Income Distributions(8)	Long-Term Capital Gain Distributions	Return of Capital(9)
PIMCO CommodityRealReturn® Strategy Portfolio	$ 7,852	$ 0	$ 0	$ 42,201	$ 0	$ 0

† A zero balance may reflect actual amounts rounding to less than one thousand.

(8) Includes short-term capital gains distributed, if any.

(9) A portion of the distributions made represents a tax return of capital. Return of capital distributions have been reclassified from undistributed net investment income to paid-in capital to more appropriately conform financial accounting to tax accounting.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of PIMCO Variable Insurance Trust and Shareholders of PIMCO CommodityRealReturn® Strategy Portfolio

Opinion on the Financial Statements

We have audited the accompanying consolidated statement of assets and liabilities, including the consolidated schedule of investments, of PIMCO CommodityRealReturn® Strategy Portfolio and its subsidiary (one of the portfolios constituting PIMCO Variable Insurance Trust, referred to hereafter as the "Portfolio") as of December 31, 2018, the related consolidated statements of operations and cash flows for the year ended December 31, 2018, the consolidated statement of changes in net assets for each of the two years in the period ended December 31, 2018, including the related notes, and the financial highlights (consolidated) for each of the periods indicated therein (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Portfolio as of December 31, 2018, the results of their operations and their cash flows for the year then ended, the changes in their net assets for each of the two years in the period ended December 31, 2018 and the financial highlights for each of the periods indicated therein in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Portfolio's management. Our responsibility is to express an opinion on the Portfolio'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 Portfolio 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, 2018 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.

/s/ PricewaterhouseCoopers LLP
Kansas City, Missouri

February 20, 2019

We have served as the auditor of one or more investment companies in PIMCO Variable Insurance Trust since 1998.

Glossary: (abbreviations that may be used in the preceding statements)

(Unaudited)

Counterparty Abbreviations:

BCY	Barclays Capital, Inc.	**FICC**	Fixed Income Clearing Corporation	**MSC**	Morgan Stanley & Co., Inc.
BOA	Bank of America N.A.	**GLM**	Goldman Sachs Bank USA	**MYC**	Morgan Stanley Capital Services, Inc.
BPG	BNP Paribas Securities Corp.	**GST**	Goldman Sachs International	**MYI**	Morgan Stanley & Co. International PLC
BPS	BNP Paribas S.A.	**HUS**	HSBC Bank USA N.A.	**RBC**	Royal Bank of Canada
BRC	Barclays Bank PLC	**IND**	Crédit Agricole Corporate and Investment Bank S.A.	**SAL**	Citigroup Global Markets, Inc.
CBK	Citibank N.A.	**JPM**	JP Morgan Chase Bank N.A.	**SCX**	Standard Chartered Bank
CIB	Canadian Imperial Bank of Commerce	**MAC**	Macquarie Bank Limited	**SOG**	Societe Generale
DUB	Deutsche Bank AG	**MEI**	Merrill Lynch International	**SSB**	State Street Bank and Trust Co.
FAR	Wells Fargo Bank National Association	**MSB**	Morgan Stanley Bank, N.A	**TDM**	TD Securities (USA) LLC
FBF	Credit Suisse International				

Currency Abbreviations:

ARS	Argentine Peso	**GBP**	British Pound	**NZD**	New Zealand Dollar
AUD	Australian Dollar	**IDR**	Indonesian Rupiah	**PEN**	Peruvian New Sol
BRL	Brazilian Real	**ILS**	Israeli Shekel	**RUB**	Russian Ruble
CAD	Canadian Dollar	**JPY**	Japanese Yen	**SGD**	Singapore Dollar
CNH	Chinese Renminbi (Offshore)	**KRW**	South Korean Won	**TWD**	Taiwanese Dollar
COP	Colombian Peso	**MXN**	Mexican Peso	**USD (or $)**	United States Dollar
EUR	Euro				

Exchange Abbreviations:

CBOT	Chicago Board of Trade	**NYMEX**	New York Mercantile Exchange	**OTC**	Over the Counter
KCBT	Kansas City Board of Trade				

Index/Spread Abbreviations:

ARLLMONP	Argentina Blended Policy Rate	**CPTFEMU**	Eurozone HICP ex-Tobacco Index	**MEHCL**	Custom Commodity Forward Index
BADLARPP	Argentina Badlar Floating Rate Notes	**CPURNSA**	Consumer Price All Urban Non-Seasonally Adjusted Index	**MEHMID**	Custom Commodity Forward Index
BCOMF1T	Bloomberg Commodity Index 1-Month Forward Total Return	**EURMARGIN**	European Refined Margin	**MQCP563E**	Macquarie MQCP563E Custom Commodity Index
BCOMTR	Bloomberg Commodity Index Total Return	**EURSIMP**	Weighted Basket of Refined Products	**NAPGASFO**	Naphtha Fuel Oil Spread
BRENT	Brent Crude	**FRCPXTOB**	France Consumer Price ex-Tobacco Index	**PIMCODB**	PIMCO Custom Commodity Basket
CDX.HY	Credit Derivatives Index - High Yield	**GOLDLNPM**	London Gold Market Fixing Ltd. PM	**PLATGOLD**	Platinum-Gold Spread
CDX.IG	Credit Derivatives Index - Investment Grade	**ISDA**	International Swaps and Derivatives Association, Inc.	**RBCAEC**	Custom Commodity Forward Index
CIXBSTR3	Custom Commodity Index	**JMABCT3E**	J.P. Morgan Custom Commodity Index	**SLVRLND**	London Silver Market Fixing Ltd.
CIXBXMB	Custom Commodity Index	**JMABDEWE**	J.P. Morgan Custom Commodity Index	**SPGCICP**	S&P Goldman Sachs Commodity Copper Excess Return Index
CMBX	Commercial Mortgage-Backed Index	**JMABFNJ1**	J.P. Morgan Custom Commodity Index	**UKRPI**	United Kingdom Retail Prices Index
CMDSKEWLS	CBEO SKEW Index is an index derived from the price of S&P 500 tail risk	**JMABNIC**	J.P. Morgan Nic Custom Index	**ULSD**	Ultra-Low Sulfur Diesel
COCL	ICE BofAML Large Cap Contingent Capital Index	**LLS**	Light Louisiana Sweet Crude	**US0003M**	3 Month USD Swap Rate
CPALEMU	Euro Area All Items Non-Seasonally Adjusted Index				

Other Abbreviations:

BBR	Bank Bill Rate	**NCUA**	National Credit Union Administration	**TBA**	To-Be-Announced
BTP	Buoni del Tesoro Poliennali	**OAT**	Obligations Assimilables du Trésor	**TELBOR**	Tel Aviv Inter-Bank Offered Rate
CLO	Collateralized Loan Obligation	**OIS**	Overnight Index Swap	**TIIE**	Tasa de Interés Interbancaria de Equilibrio "Equilibrium Interbank Interest Rate"
DAC	Designated Activity Company	**oz.**	Ounce	**WTI**	West Texas Intermediate
LIBOR	London Interbank Offered Rate	**RBOB**	Reformulated Blendstock for Oxygenate Blending	**YOY**	Year-Over-Year
Lunar	Monthly payment based on 28-day periods. One year consists of 13 periods.				

Federal Income Tax Information

As required by the Internal Revenue Code (the "Code") and Treasury Regulations, if applicable, shareholders must be notified regarding the status of qualified dividend income and the dividend received deduction.

Dividend Received Deduction. Corporate shareholders are generally entitled to take the dividend received deduction on the portion of a Portfolio's dividend distribution that qualifies under tax law. The percentage of the following Portfolio's fiscal 2018 ordinary income dividend that qualifies for the corporate dividend received deduction is set forth in the table below.

Qualified Dividend Income. Under the Jobs and Growth Tax Relief Reconciliation Act of 2003 (the "Act"), the percentage of ordinary dividends paid during the calendar year designated as "qualified dividend income", as defined in the Act, subject to reduced tax rates in 2018 is set forth for the Portfolio in the table below.

Qualified Interest Income and Qualified Short-Term Capital Gain (for non-U.S. resident shareholders only). Under the American Jobs Creation Act of 2004, the amounts of ordinary dividends paid during the fiscal year ended December 31, 2018 considered to be derived from "qualified interest income," as defined in Section 871(k)(1)(E) of the Code, and therefore designated as interest-related dividends, as defined in Section 871(k)(1)(C) of the Code are set forth in the table below. Further, the amounts of ordinary dividends paid during the fiscal year ended December 31, 2018 considered to be derived from "qualified short-term capital gain," as defined in Section 871(k)(2)(D) of the Code, and therefore designated as qualified short-term gain dividends, as defined by Section 871(k)(2)(C) of the Code are also set forth in the table below.

	Dividend Received Deduction %	Qualified Dividend Income %	Qualified Interest Income (000s†)	Qualified Short-Term Capital Gain (000s†)
PIMCO CommodityRealReturn® Strategy Portfolio	0.00%	0.00%	$ 276	$ 0

† A zero balance may reflect actual amounts rounding to less than one thousand.

Shareholders are advised to consult their own tax advisor with respect to the tax consequences of their investment in the Trust. In January 2019, you will be advised on IRS Form 1099-DIV as to the federal tax status of the dividends and distributions received by you in calendar year 2018.

Management of the Trust

(Unaudited)

The charts below identify the Trustees and executive officers of the Trust. Unless otherwise indicated, the address of all persons below is 650 Newport Center Drive, Newport Beach, CA 92660.

The Portfolio's Statement of Additional Information includes more information about the Trustees and Officers. To request a free copy, call PIMCO at (888) 87-PIMCO or visit the Portfolio's website at www.pimco.com/pvit.

Name, Year of Birth and Position Held with Trust*	Term of Office and Length of Time Served†	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Public Company and Investment Company Directorships Held by Trustee During the Past 5 Years
Interested Trustees[1]				
Peter G. Strelow (1970)** *Chairman of the Board and Trustee*	05/2017 to present Chairman of the Board - 02/2019 to present	Managing Director and Co-Chief Operating Officer, PIMCO. President of the Trust, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds. Formerly, Chief Administrative Officer, PIMCO.	153	Chairman and Trustee, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT.
Brent R. Harris (1959)** *Trustee*	08/1997 to present	Managing Director, PIMCO. Senior Vice President of the Trust, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT. Formerly, member of Executive Committee, PIMCO.	153	Trustee, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT; Director, StocksPLUS® Management, Inc; and member of Board of Governors, Investment Company Institute. Formerly, Chairman, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT.
Independent Trustees				
George E. Borst (1948) *Trustee*	04/2015 to present	Executive Advisor, McKinsey & Company (since 10/14); Formerly, Executive Advisor, Toyota Financial Services (10/13-12/14); and CEO, Toyota Financial Services (1/01-9/13).	132	Trustee, PIMCO Funds and PIMCO ETF Trust; Director, MarineMax Inc.
Jennifer Holden Dunbar (1963) *Trustee*	04/2015 to present	Managing Director, Dunbar Partners, LLC (business consulting and investments). Formerly, Partner, Leonard Green & Partners, L.P.	153	Trustee, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT; Director, PS Business Parks; Director, Big 5 Sporting Goods Corporation.
Kym M. Hubbard (1957) *Trustee*	02/2017 to present	Formerly, Global Head of Investments, Chief Investment Officer and Treasurer, Ernst & Young.	132	Trustee, PIMCO Funds and PIMCO ETF Trust; Director, State Auto Financial Corporation.
Gary F. Kennedy (1955) *Trustee*	04/2015 to present	Formerly, Senior Vice President, General Counsel and Chief Compliance Officer, American Airlines and AMR Corporation (now American Airlines Group) (1/03-1/14).	132	Trustee, PIMCO Funds and PIMCO ETF Trust.
Peter B. McCarthy (1950) *Trustee*	04/2015 to present	Formerly, Assistant Secretary and Chief Financial Officer, United States Department of Treasury; Deputy Managing Director, Institute of International Finance.	153	Trustee, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.
Ronald C. Parker (1951) *Lead Independent Trustee*	07/2009 to present Lead Independent Trustee - 02/2017 to present	Director of Roseburg Forest Products Company. Formerly, Chairman of the Board, The Ford Family Foundation; and President, Chief Executive Officer, Hampton Affiliates (forestry products).	153	Lead Independent Trustee, PIMCO Funds and PIMCO ETF Trust; Trustee, PIMCO Equity Series and PIMCO Equity Series VIT.

* Unless otherwise noted, the information for the individuals listed is as of December 31, 2018.

** Effective February 13, 2019, Mr. Strelow became the Chairman of the Trust.

[1] Mr. Harris and Mr. Strelow are "interested persons" of the Trust (as that term is defined in the 1940 Act) because of their affiliations with PIMCO.

† Trustees serve until their successors are duly elected and qualified.

Executive Officers

Name, Year of Birth and Position Held with Trust	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years*
Peter G. Strelow (1970) *President*	01/2015 to present	Managing Director and Co-Chief Operating Officer, PIMCO. President, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds. Formerly, Chief Administrative Officer, PIMCO.
Joshua D. Ratner (1976)** *Chief Legal Officer*	11/2018 to present Vice President - Senior Counsel and Secretary 11/2013 to 11/2018 Assistant Secretary 10/2007 to 01/2011	Executive Vice President and Deputy General Counsel, PIMCO. Chief Legal Officer, PIMCO Investments LLC. Chief Legal Officer, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds.
Jennifer E. Durham (1970) *Chief Compliance Officer*	07/2004 to present	Managing Director and Chief Compliance Officer, PIMCO. Chief Compliance Officer, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.
Brent R. Harris (1959) *Senior Vice President*	01/2015 to present President 03/2009 to 01/2015	Managing Director, PIMCO. Senior Vice President, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT. Formerly, member of Executive Committee, PIMCO.
Ryan G. Leshaw (1980) *Vice President, Senior Counsel and Secretary*	11/2018 to present Assistant Secretary 05/2012 to 11/2018	Senior Vice President and Senior Counsel, PIMCO. Vice President, Senior Counsel and Secretary, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT. Assistant Secretary, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds. Formerly, Associate, Willkie Farr & Gallagher LLP.
Wu-Kwan Kit (1981) *Assistant Secretary*	08/2017 to present	Senior Vice President and Senior Counsel, PIMCO. Assistant Secretary, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT. Vice President, Senior Counsel and Secretary, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds. Formerly, Assistant General Counsel, VanEck Associates Corp.
Stacie D. Anctil (1969) *Vice President*	05/2015 to present Assistant Treasurer 11/2003 to 05/2015	Executive Vice President, PIMCO. Vice President, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds.
William G. Galipeau (1974) *Vice President*	11/2013 to present	Executive Vice President, PIMCO. Vice President, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds.
Eric D. Johnson (1970) *Vice President*	05/2011 to present	Executive Vice President, PIMCO. Vice President, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds.
Henrik P. Larsen (1970) *Vice President*	02/1999 to present	Senior Vice President, PIMCO. Vice President, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.
Bijal Y. Parikh (1978) *Vice President*	02/2017 to present	Senior Vice President, PIMCO. Vice President, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds.
Greggory S. Wolf (1970) *Vice President*	05/2011 to present	Senior Vice President, PIMCO. Vice President, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.
Trent W. Walker (1974) *Treasurer*	11/2013 to present	Executive Vice President, PIMCO. Treasurer, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds.
Erik C. Brown (1967)** *Assistant Treasurer*	02/2001 to present	Executive Vice President, PIMCO. Assistant Treasurer, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds.
Colleen D. Miller (1980)** *Assistant Treasurer*	02/2017 to present	Senior Vice President, PIMCO. Assistant Treasurer, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds.
Christopher M. Morin (1980) *Assistant Treasurer*	08/2016 to present	Senior Vice President, PIMCO. Assistant Treasurer, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds.
Jason J. Nagler (1982)** *Assistant Treasurer*	05/2015 to present	Senior Vice President, PIMCO. Assistant Treasurer, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds.

* The term "PIMCO-Sponsored Closed-End Funds" as used herein includes: PIMCO California Municipal Income Fund, PIMCO California Municipal Income Fund II, PIMCO California Municipal Income Fund III, PIMCO Municipal Income Fund, PIMCO Municipal Income Fund II, PIMCO Municipal Income Fund III, PIMCO New York Municipal Income Fund, PIMCO New York Municipal Income Fund II, PIMCO New York Municipal Income Fund III, PCM Fund Inc., PIMCO Corporate & Income Opportunity Fund, PIMCO Corporate & Income Strategy Fund, PIMCO Dynamic Credit and Mortgage Income Fund, PIMCO Dynamic Income Fund, PIMCO Global StocksPLUS® & Income Fund, PIMCO High Income Fund, PIMCO Income Opportunity Fund, PIMCO Income Strategy Fund, PIMCO Income Strategy Fund II and PIMCO Strategic Income Fund, Inc.; the term "PIMCO-Sponsored Interval Funds" as used herein includes: PIMCO Flexible Credit Income Fund and PIMCO Flexible Municipal Income Fund.

** The address of these officers is Pacific Investment Management Company LLC, 1633 Broadway, New York, New York 10019.

Privacy Policy[1]

(Unaudited)

The Trust[2,3] considers customer privacy to be a fundamental aspect of its relationships with shareholders and is committed to maintaining the confidentiality, integrity and security of its current, prospective and former shareholders' non-public personal information. The Trust has developed policies that are designed to protect this confidentiality, while allowing shareholder needs to be served.

OBTAINING PERSONAL INFORMATION

In the course of providing shareholders with products and services, the Trust and certain service providers to the Trust, such as the Trust's investment advisers or sub-advisers ("Advisers"), may obtain non-public personal information about shareholders, which may come from sources such as account applications and other forms, from other written, electronic or verbal correspondence, from shareholder transactions, from a shareholder's brokerage or financial advisory firm, financial advisor or consultant, and/or from information captured on applicable websites.

RESPECTING YOUR PRIVACY

As a matter of policy, the Trust does not disclose any non-public personal information provided by shareholders or gathered by the Trust to non-affiliated third parties, except as required or permitted by law or as necessary for such third parties to perform their agreements with respect to the Trust. As is common in the industry, non-affiliated companies may from time to time be used to provide certain services, such as preparing and mailing prospectuses, reports, account statements and other information, conducting research on shareholder satisfaction and gathering shareholder proxies. The Trust or its affiliates may also retain non-affiliated companies to market the Trust's shares or products which use the Trust's shares and enter into joint marketing arrangements with them and other companies. These companies may have access to a shareholder's personal and account information, but are permitted to use this information solely to provide the specific service or as otherwise permitted by law. In most cases, the shareholders will be clients of a third party, but the Trust may also provide a shareholder's personal and account information to the shareholder's respective brokerage or financial advisory firm and/or financial advisor or consultant.

SHARING INFORMATION WITH THIRD PARTIES

The Trust reserves the right to disclose or report personal or account information to non-affiliated third parties in limited circumstances where the Trust believes in good faith that disclosure is required under law, to cooperate with regulators or law enforcement authorities, to protect its rights or property, or upon reasonable request by any fund advised by PIMCO in which a shareholder has invested. In addition, the Trust may disclose information about a shareholder or a shareholder's accounts to a non-affiliated third party at the shareholder's request or with the consent of the shareholder.

SHARING INFORMATION WITH AFFILIATES

The Trust may share shareholder information with its affiliates in connection with servicing shareholders' accounts, and subject to applicable law may provide shareholders with information about products and services that the Trust or its Advisers, distributors or their affiliates ("Service Affiliates") believe may be of interest to such shareholders. The information that the Trust may share may include, for example, a shareholder's participation in the Trust or in other investment programs sponsored by a Service Affiliate, a shareholder's ownership of certain types of accounts (such as IRAs), information about the Trust's experiences or transactions with a shareholder, information captured on applicable websites, or other data about a shareholder's accounts, subject to applicable law. The Trust's Service Affiliates, in turn, are not permitted to share shareholder information with non-affiliated entities, except as required or permitted by law.

PROCEDURES TO SAFEGUARD PRIVATE INFORMATION

The Trust takes seriously the obligation to safeguard shareholder non-public personal information. In addition to this policy, the Trust has implemented procedures that are designed to restrict access to a shareholder's non-public personal information to internal personnel who need to know that information to perform their jobs, such as servicing shareholder accounts or notifying shareholders of new products or services. Physical, electronic and procedural safeguards are in place to guard a shareholder's non-public personal information.

INFORMATION COLLECTED FROM WEBSITES

Websites maintained by the Trust or its service providers may use a variety of technologies to collect information that help the Trust and its service providers understand how the website is used. Information collected from your web browser (including small files stored on your device that are commonly referred to as "cookies") allow the websites to recognize your web browser and help to personalize and improve your user experience and enhance navigation of the website. In addition, the Trust or its Service Affiliates may use third parties to place advertisements for the Trust on other websites, including banner advertisements. Such third parties may collect anonymous information through the use of cookies or action tags (such as web beacons). The information these third parties collect is generally limited to technical and web navigation information, such as your IP address, web pages visited and browser type, and does not include personally identifiable information such as name, address, phone number or email address. If you are a registered user of the Trust's website, the Trust or their service providers or third party firms engaged by the Trust or their service providers may collect or share information submitted by you, which may include personally identifiable information. This information can be useful to the Trust when assessing and offering services and website features. You can change your cookie preferences by changing the setting on your web browser to delete or reject cookies. If you delete or reject cookies, some website pages may not function properly. The Trust does not look for web browser "do not track" requests.

CHANGES TO THE PRIVACY POLICY

From time to time, the Trust may update or revise this privacy policy. If there are changes to the terms of this privacy policy, documents containing the revised policy on the relevant website will be updated.

[1] Amended as of February 15, 2017.

[2] PIMCO Investments LLC ("PI") serves as the Trust's distributor. This Privacy Policy applies to the activities of PI to the extent that PI regularly effects or engages in transactions with or for a Trust shareholder who is the record owner of such shares. For purposes of this Privacy Policy, references to "the Trust" shall include PI when acting in this capacity.

[3] When distributing this Policy, the Trust may combine the distribution with any similar distribution of its investment adviser's privacy policy. The distributed, combined policy may be written in the first person (i.e., by using "we" instead of "the Trust").

Approval of Renewal of the Amended and Restated Investment Advisory Contract, Supervision and Administration Agreement and Amended and Restated Asset Allocation Sub-Advisory Agreement

At a meeting held on August 20-21, 2018, the Board of Trustees (the "Board") of PIMCO Variable Insurance Trust (the "Trust"), including the Trustees who are not "interested persons" of the Trust under the Investment Company Act of 1940, as amended (the "Independent Trustees"), considered and unanimously approved the renewal of the Amended and Restated Investment Advisory Contract (the "Investment Advisory Contract") between the Trust, on behalf of each of the Trust's series (the "Portfolios"), and Pacific Investment Management Company LLC ("PIMCO") for an additional one-year term through August 31, 2019. The Board also considered and unanimously approved the renewal of the Supervision and Administration Agreement (together with the Investment Advisory Contract, the "Agreements") between the Trust, on behalf of the Portfolios, and PIMCO for an additional one-year term through August 31, 2019. In addition, the Board considered and unanimously approved the renewal of the Amended and Restated Asset Allocation Sub-Advisory Agreement (the "Asset Allocation Agreement") between PIMCO, on behalf of PIMCO All Asset Portfolio and PIMCO All Asset All Authority Portfolio, each a series of the Trust, and Research Affiliates, LLC ("Research Affiliates") for an additional one-year term through August 31, 2019.

The information, material factors and conclusions that formed the basis for the Board's approvals are summarized below.

1. INFORMATION RECEIVED

(a) Materials Reviewed: During the course of the past year, the Trustees received a wide variety of materials relating to the services provided by PIMCO and Research Affiliates to the Trust. At each of its quarterly meetings, the Board reviewed the Portfolios' investment performance and a significant amount of information relating to Portfolio operations, including shareholder services, valuation and custody, the Portfolios' compliance program and other information relating to the nature, extent and quality of services provided by PIMCO and Research Affiliates to the Trust and each of the Portfolios, as applicable. In considering whether to approve the renewal of the Agreements and the Asset Allocation Agreement, the Board reviewed additional information, including, but not limited to, comparative industry data with regard to investment performance, advisory and supervisory and administrative fees and expenses, financial information for PIMCO and, where relevant, Research Affiliates, information regarding the profitability to PIMCO of its relationship with the Portfolios, information about the personnel providing investment management services, other advisory services and supervisory and administrative services to the Portfolios, and information about the fees charged and services provided to other clients with similar investment mandates as the Portfolios, where applicable. In addition, the Board reviewed materials provided by counsel to the Trust and the Independent Trustees, which included, among other things, memoranda outlining legal duties of the Board in considering the renewal of the Agreements and the Asset Allocation Agreement.

(b) Review Process: In connection with considering the renewal of the Agreements and the Asset Allocation Agreement, the Board reviewed written materials prepared by PIMCO and, where applicable, Research Affiliates in response to requests from counsel to the Trust and the Independent Trustees encompassing a wide variety of topics. The Board requested and received assistance and advice regarding, among other things, applicable legal standards from counsel to the Trust and the Independent Trustees, and reviewed comparative fee and performance data prepared at the Board's request by Broadridge Financial Solutions, Inc. ("Broadridge"), an independent provider of investment company performance information and fee and expense data. The Board received information on matters related to the Agreements and the Asset Allocation Agreement and met both as a full Board and in a separate session of the Independent Trustees, without management present, at the August 20-21, 2018 meeting. The Independent Trustees also conducted in-person meetings with counsel to the Trust and the Independent Trustees, including one on July 18, 2018, to discuss the Lipper Report, as defined below, and certain aspects of the 2018 15(c) materials presented and other matters deemed relevant to their consideration of the renewal of the Agreements and the Asset Allocation Agreement. In connection with its review of the Agreements, the Board received comparative information on the performance and the fees and expenses of other peer group funds and share classes. In addition, the Independent Trustees requested and received supplemental information.

The approval determinations were made on the basis of each Trustee's business judgment after consideration and evaluation of all the information presented. Individual Trustees may have given different weights to certain factors and assigned various degrees of materiality to information received in connection with the approval process. In deciding to approve the renewal of the Agreements and the Asset Allocation Agreement, the Board did not identify any single factor or particular information that, in isolation, was controlling. The discussion below is intended to summarize the broad factors and information that figured prominently in the Board's consideration of the renewal of the Agreements and the Asset Allocation Agreement, but is not intended to summarize all of the factors considered by the Board.

2. NATURE, EXTENT AND QUALITY OF SERVICES

(a) PIMCO, Research Affiliates, their Personnel, and Resources: The Board considered the depth and quality of PIMCO's investment management process, including: the experience, capability and integrity

of its senior management and other personnel; the overall financial strength and stability of its organization; and the ability of its organizational structure to address changes in the Portfolios' asset levels. The Board also considered the various services in addition to portfolio management that PIMCO provides under the Investment Advisory Contract. The Board noted that PIMCO makes available to its investment professionals a variety of resources and systems relating to investment management, compliance, trading, performance and portfolio accounting. The Board also noted PIMCO's commitment to enhancing and investing in its global infrastructure, technology capabilities, risk management processes and the specialized talent needed to stay at the forefront of the competitive investment management industry and to strengthen its ability to deliver services under the Agreements. The Board considered PIMCO's policies, procedures and systems reasonably designed to assure compliance with applicable laws and regulations and its commitment to further developing and strengthening these programs, its oversight of matters that may involve conflicts of interest between the Portfolios' investments and those of other accounts managed by PIMCO, and its efforts to keep the Trustees informed about matters relevant to the Portfolios and their shareholders. The Board also considered PIMCO's continuous investment in new disciplines and talented personnel, which has enhanced PIMCO's services to the Portfolios and has allowed PIMCO to introduce innovative new portfolios over time. In addition, the Board considered the nature and quality of services provided by PIMCO to the wholly-owned subsidiaries of certain applicable Portfolios.

The Trustees considered that PIMCO has continued to strengthen the process it uses to actively manage counterparty risk and to assess the financial stability of counterparties with which the Portfolios do business, to manage collateral and to protect Portfolios from an unforeseen deterioration in the creditworthiness of trading counterparties. The Trustees noted that, consistent with its fiduciary duty, PIMCO executes transactions through a competitive best execution process and uses only those counterparties that meet its stringent and monitored criteria. The Trustees considered that PIMCO's collateral management team utilizes a counterparty risk system to analyze portfolio level exposure and collateral being exchanged with counterparties.

In addition, the Trustees considered new services and service enhancements that PIMCO has implemented since the Board renewed the Agreements in 2017, including, but not limited to upgrading the global network and infrastructure to support trading and risk management systems; enhancing and continuing to expand capabilities within the pre-trade compliance platform; enhancing flexible client reporting capabilities to support increased differentiation within local markets; developing new application and database frameworks to support new trading strategies; expanding proprietary applications suites to enrich capabilities across Compliance, Analytics, Risk Management, Client Reporting, Attribution and Customer Relationship management; continuing investment in its enterprise risk management function, including PIMCO's cybersecurity program and global business continuity functions; oversight by the Americas Fund Oversight Committee, which provides senior-level oversight and supervision focused on new and ongoing fund-related business opportunities; engaging a third party service provider to implement the SEC reporting modernization regime; expanding the Fund Treasurer's Office; enhancing a proprietary application to provide portfolio managers with more timely and high quality income reporting; developing a global tax management application that will enable investment professionals to access foreign market and security tax information on a real-time basis; enhancing reporting of tax reporting for portfolio managers for income products with improved transparency on tax factors impacting income generation and dividend yield; upgrading a proprietary application to allow shareholder subscription and redemption data to pass to portfolio managers more quickly and efficiently; and continuing to expand the pricing portal and the proprietary performance reconciliation tool.

Similarly, the Board considered the asset allocation services provided by Research Affiliates to the PIMCO All Asset Portfolio and PIMCO All Asset All Authority Portfolio. The Board further considered PIMCO's oversight of Research Affiliates in connection with Research Affiliates providing asset allocation services to the Asset Portfolio and All Asset All Authority Portfolio. The Board also considered the depth and quality of Research Affiliates' investment management and research capabilities, the experience and capabilities of its portfolio management personnel and the overall financial strength of the organization.

Ultimately, the Board concluded that the nature, extent and quality of services provided or procured by PIMCO under the Agreements and provided by Research Affiliates under the Asset Allocation Agreement are likely to continue to benefit the Portfolios and their respective shareholders, as applicable.

(b) Other Services: The Board also considered the nature, extent and quality of supervisory and administrative services provided by PIMCO to the Portfolios under the Supervision and Administration Agreement.

The Board considered the terms of the Supervision and Administration Agreement, under which the Trust pays for the supervisory and administrative services provided pursuant to that agreement under what is essentially an all-in fee structure (the "unified fee"). In return, PIMCO provides or procures certain supervisory and administrative services and bears the costs of various third party services required by the Portfolios, including audit, custodial, portfolio accounting, legal, transfer agency, sub-accounting and printing costs. The Board noted that the scope and complexity, as well as the costs, of the supervisory

and administrative services provided by PIMCO under the Supervision and Administration Agreement continue to increase. The Board considered PIMCO's provision of supervisory and administrative services and its supervision of the Trust's third party service providers to assure that these service providers continue to provide a high level of service relative to alternatives available in the market.

Ultimately, the Board concluded that the nature, extent and quality of the services provided by PIMCO has benefited, and will likely continue to benefit, the Portfolios and their shareholders.

3. INVESTMENT PERFORMANCE

The Board reviewed information from PIMCO concerning the Portfolios' performance, as available, over short- and long-term periods ended March 31, 2018 and other performance data, as available, over short- and long-term periods ended June 30, 2018 (the "PIMCO Report") and from Broadridge concerning the Portfolios' performance, as available, over short- and long-term periods ended March 31, 2018 (the "Lipper Report").

The Board considered information regarding both the short- and long-term investment performance of each Portfolio relative to its peer group and relevant benchmark index as provided to the Board in advance of each of its quarterly meetings throughout the year, including the PIMCO Report and Lipper Report, which were provided in advance of the August 20-21, 2018 meeting. The Trustees noted that many of the Portfolios outperformed their respective Lipper medians on a net-of-fees basis over the three-, five- and ten-year periods ended March 31, 2018. The Board also noted that, as of March 31, 2018, the Administrative Class of 72%, 35% and 73% of the Portfolios outperformed their respective Lipper category median on a net-of-fees basis over the three-, five- and ten-year periods, respectively. The Trustees considered that other classes of each Portfolio would have substantially similar performance to that of the Administrative Class of the relevant Portfolio on a relative basis because all of the classes are invested in the same portfolio of investments and that differences in performance among classes could principally be attributed to differences in the supervisory and administrative fees and distribution and servicing expenses of each class. The Board also considered that the investment objectives of certain of the Portfolios may not always be identical to those of the other funds in their respective peer groups and that the Lipper categories do not: separate funds based upon maturity or duration; account for the applicable Portfolios' hedging strategies; distinguish between enhanced index and actively managed equity strategies; include as many subsets as the Portfolios offer (*i.e.*, Portfolios may be placed in a "catch-all" Lipper category to which they do not properly belong); or account for certain fee waivers. The Board noted that, due to these differences, performance comparisons between certain of the Portfolios and their so-called peers may not be particularly relevant to the consideration of Portfolio performance but found the comparative information supported its overall evaluation.

The Board noted that performance for a majority of the Portfolios has been mixed compared to their respective benchmark indexes over the five-year period ended March 31, 2018. The Board noted that, as of March 31, 2018, 70%, 23% and 92% of the Trust's assets (based on Administrative Class performance) outperformed their respective benchmarks on a net-of-fees basis over the three-, five- and ten-year periods, respectively. The Board also discussed actions that have been taken by PIMCO to attempt to improve performance and took note of PIMCO's plans to monitor performance going forward.

The Board considered PIMCO's discussion of the intensive nature of managing bond funds, noting that it requires the management of a number of factors, including: varying maturities; prepayments; collateral management; counterparty management; pay-downs; credit and corporate events; workouts; derivatives; net new issuance in the bond market; and decreased market maker inventory levels. The Board noted that in addition to managing these factors, PIMCO must also balance risk controls and strategic positions in each portfolio it manages, including the Portfolios. Despite these challenges, the Board noted PIMCO's ability to generate non-market correlated excess performance for its clients over time, including the Trust.

The Board ultimately concluded, within the context of all of its considerations in connection with the Agreements, that PIMCO's performance record and process in managing the Portfolios indicates that its continued management is likely to benefit the Portfolios and their shareholders, and merits the approval of the renewal of the Agreements.

4. ADVISORY FEES, SUPERVISORY AND ADMINISTRATIVE FEES AND TOTAL EXPENSES

The Board considered that PIMCO seeks to price new funds and classes to scale. PIMCO reported to the Board that, in proposing fees for any Portfolio or class of shares, it considers a number of factors, including, but not limited to, the type and complexity of the services provided, the cost of providing services, the risk assumed by PIMCO in the development of products and the provision of services and the competitive marketplace for financial products. Fees charged to or proposed for different Portfolios for advisory services and supervisory and administrative services may vary in light of these various factors. The Board considered that portfolio pricing generally is not driven by comparison to passively-managed products.

In addition, PIMCO reported to the Board that it periodically reviews the fees charged to the Portfolios. The Board noted that, based upon this review, PIMCO may propose advisory fee or supervisory and administrative fee changes where (i) a Portfolio's long-term performance warrants additional consideration; (ii) there is a notable aid to market

position; (iii) a Portfolio's fee does not reflect the current level of supervision or administrative fees provided to the Portfolio; or (iv) PIMCO would like to change a Portfolio's overall strategic positioning.

The Board reviewed the advisory fees, supervisory and administrative fees and total expenses of the Portfolios (each as a percentage of average net assets) and compared such amounts with the average and median fee and expense levels of other similar funds. The Board also reviewed information relating to the sub-advisory fees paid to Research Affiliates with respect to applicable Portfolios, taking into account that PIMCO compensates Research Affiliates from the advisory fees paid by such Portfolios to PIMCO. With respect to advisory fees, the Board reviewed data from Broadridge that compared the average and median advisory fees of other funds in a "Peer Group" of comparable funds, as well as the universe of other similar funds. The Board noted that a number of Portfolios have total expense ratios that fall below the average and median expense ratios in their Peer Group and Lipper universe. In addition, the Board considered fee waivers in place for certain of the Portfolios and also noted the fee waivers in place with respect to the advisory fee and supervisory and administrative fee that might result from investments by applicable Portfolios in their respective wholly-owned subsidiaries. The Board also considered that PIMCO reviews the Portfolios' fee levels and carefully considers changes where appropriate.

The Board also reviewed data comparing the Portfolios' advisory fees to the standard and negotiated fee rates PIMCO charges to separate accounts, collective investment trusts and sub-advised clients with similar investment strategies. In cases where the fees for other clients were lower than those charged to the Portfolios, the Trustees noted that the differences in fees were attributable to various factors, including, but not limited to, differences in the advisory and other services provided by PIMCO to the Portfolios, differences in the number or extent of the services provided by PIMCO to the Portfolios, the manner in which similar portfolios may be managed, different requirements with respect to liquidity management and the implementation of other regulatory requirements, and the fact that separate accounts may have other contractual arrangements or arrangements across PIMCO strategies that justify different levels of fees. The Board considered that, with respect to collective investment trusts, PIMCO performs fewer or less extensive services because collective investment trusts are generally exempt from SEC regulation; investors in a collective investment trust may receive shareholder services from a trustee bank, rather than PIMCO; collective investment trusts have less regulatory disclosure; and the management structure of collective investment trusts differs from that of funds. The Trustees also considered that PIMCO faces increased entrepreneurial, legal and regulatory risk in sponsoring and managing mutual funds and ETFs as compared to separate accounts, external sub-advised funds or other investment products.

Regarding advisory fees charged by PIMCO in its capacity as sub-adviser to third party/unaffiliated funds, the Trustees took into account that such fees may be lower than the fees charged by PIMCO to serve as adviser to the Portfolios. The Trustees also took into account that there are various reasons for any such differences in fees, including, but not limited to, the fact that PIMCO may be subject to varying levels of entrepreneurial risk and regulatory requirements, differing legal liabilities on a contract-by-contract basis and different servicing requirements when PIMCO does not serve as the sponsor of a fund and is not principally responsible for all aspects of a fund's investment program and operations as compared to when PIMCO serves as investment adviser and sponsor.

The Board considered the Portfolios' supervisory and administrative fees, comparing them to similar funds in the report supplied by Broadridge. The Board also considered that as the Portfolios' business has become increasingly complex and the number of Portfolios has grown over time, PIMCO has provided an increasingly broad array of fund supervisory and administrative functions. In addition, the Board considered the Trust's unified fee structure, under which the Trust pays for the supervisory and administrative services it requires for one set fee. In return for this unified fee, PIMCO provides or procures supervisory and administrative services and bears the costs of various third party services required by the Portfolios, including audit, custodial, portfolio accounting, legal, transfer agency, sub-accounting and printing costs. The Board further considered that many other funds pay for comparable services separately, and thus it is difficult to directly compare the Trust's unified supervisory and administrative fees with the fees paid by other funds for administrative services alone. The Board also considered that the unified supervisory and administrative fee leads to Portfolio fees that are fixed over the contract period, rather than variable. The Board noted that, although the unified fee structure does not have breakpoints, it implicitly reflects economies of scale by fixing the absolute level of Portfolio fees at competitive levels over the contract period even if the Portfolios' operating costs rise when assets remain flat or decrease. Other factors the Board considered in assessing the unified fee include PIMCO's approach of pricing Portfolios to scale at inception and reinvesting in other important areas of the business that support the Portfolios. The Board considered that the Portfolios' unified fee structure meant that fees were not impacted by recent outflows in certain Portfolios, unlike funds without a unified fee structure, which may see increased expense ratios when fixed costs, such as service provider costs, are passed through to a smaller asset base. The Board considered historical advisory and supervisory and administrative fee reductions implemented for different Portfolios and classes, noting that the unified fee can be increased or decreased in subsequent contractual periods and is subject to the periodic reviews discussed above. The Board noted that, with few exceptions, PIMCO

has generally maintained Portfolio fees at the same level as implemented when the unified fee was adopted, and has reduced fees for a number of Portfolios in prior years. The Board concluded that the Portfolios' supervisory and administrative fees were reasonable in relation to the value of the services provided, including the services provided to different classes of shareholders, and that the expenses assumed contractually by PIMCO under the Supervision and Administration Agreement represent, in effect, a cap on overall Portfolio fees during the contractual period, which is beneficial to the Portfolios and their shareholders.

The Board considered the Portfolios' total expenses and discussed with PIMCO those Portfolios and/or classes of Portfolios that had above median total expenses. The Board noted that many of the Portfolios are unique products that have few peers, if any, and cannot easily be grouped with comparable funds. Upon comparing the Portfolios' total expenses to other funds in the "Peer Groups" provided by Broadridge, the Board found total expenses of each Portfolio to be reasonable.

The Trustees also considered the advisory fees charged to the Portfolios that operate as funds of funds (the "Funds of Funds") and the advisory services provided in exchange for such fees. The Trustees determined that such services were in addition to the advisory services provided to the underlying funds in which the Funds of Funds may invest and, therefore, such services were not duplicative of the advisory services provided to the underlying funds. The Board also considered the various fee waiver agreements in place for the Funds of Funds. The Board noted that PIMCO is continuing waivers for these Funds of Funds, as well as for certain other Portfolios of the Trust.

Based on the information presented by PIMCO, Research Affiliates and Broadridge, members of the Board determined, in the exercise of their business judgment, that the level of the advisory fees and supervisory and administrative fees charged by PIMCO under the Agreements, as well as the total expenses of each Portfolio, after the proposals to decrease the management fee, are reasonable.

5. ADVISER COSTS, LEVEL OF PROFITS AND ECONOMIES OF SCALE

The Board reviewed information regarding PIMCO's costs of providing services to the Funds as a whole, as well as the resulting level of profits to PIMCO under both the adjusted asset profitability method and the profit and loss profitability method, which were each utilized to calculate profitability. To the extent applicable, the Board also reviewed information regarding the portion of a Portfolio's advisory fee retained by PIMCO, following the payment of sub-advisory fees to Research Affiliates, with respect to the Portfolio. Additionally, the Board noted that profit margins with respect to the Trust shows that the Trust is profitable, although less so than PIMCO Funds due to payments made by PIMCO to participating insurance companies. The Board further noted PIMCO's engagement of a third party to review and to make recommendations regarding PIMCO's processes supporting its profitability estimation materials. The Board also noted that it had received information regarding the structure and manner in which PIMCO's investment professionals were compensated, and PIMCO's view of the relationship of such compensation to the attraction and retention of quality personnel. The Board considered PIMCO's need to invest in global infrastructure, technology capabilities, risk management processes and qualified personnel to reinforce and offer new services and to accommodate changing regulatory requirements.

With respect to potential economies of scale, the Board noted that PIMCO shares the benefits of economies of scale with the Portfolios and their shareholders in a number of ways, including investing in portfolio and trade operations management, firm technology, middle and back office support, legal and compliance, and fund administration logistics, senior management supervision, governance and oversight of those services, and through fee reductions or waivers, the pricing of Portfolios to scale from inception, and the enhancement of services provided to the Portfolios in return for fees paid. The Board reviewed the history of the Portfolios' fee structure. The Board considered that the Portfolios' unified fee rates had been set competitively and/or priced to scale from inception, had been held steady during the contractual period at that scaled competitive rate for most Portfolios as assets grew, or as assets declined in the case of some Portfolios, and continued to be competitive compared with peers. The Board also considered that the unified fee is a transparent means of informing a Portfolio's shareholders of the fees associated with the Portfolio, and that the Portfolio bears certain expenses that are not covered by the advisory fee or the unified fee. The Board further considered the challenges that arise when managing large funds, which can result in certain "diseconomies" of scale and noted that PIMCO has continued to reinvest in many areas of the business to support the Portfolios.

The Trustees considered that the unified fee has provided inherent economies of scale because a Portfolio maintains competitive fixed fees over the annual contract period even if the particular Portfolio's assets decline and/or operating costs rise. The Trustees further considered that, in contrast, breakpoints may be a proxy for charging higher fees on lower asset levels and that when a fund's assets decline, breakpoints may reverse, which causes expense ratios to increase. The Trustees also considered that, unlike the Portfolios' unified fee structure, funds with "pass through" administrative fee structures may experience increased expense ratios when fixed dollar fees are charged against declining fund assets. The Trustees also considered that the unified fee protects shareholders from a rise in operating costs that may result from, among other things, PIMCO's investments in various business enhancements and infrastructure, including those referenced above. The Trustees noted that PIMCO's investments in these areas are extensive.

The Board concluded that the Portfolios' cost structures were reasonable and that PIMCO is appropriately sharing economies of scale, if any, through the Portfolios' unified fee structure, generally pricing Portfolios to scale at inception and reinvesting in its business to provide enhanced and expanded services to the Portfolios and their shareholders.

6. ANCILLARY BENEFITS

The Board considered other benefits realized by PIMCO and its affiliates as a result of PIMCO's relationship with the Trust. Such benefits may include possible ancillary benefits to PIMCO's institutional investment management business due to the reputation and market penetration of the Trust or third party service providers' relationship-level fee concessions, which decrease fees paid by PIMCO. The Board also considered that affiliates of PIMCO provide distribution and/or shareholder services to the Portfolios and their shareholders, for which they may be compensated through distribution and servicing fees paid pursuant to the Portfolios' Rule 12b-1 plans or otherwise. The Board reviewed PIMCO's soft dollar policies and procedures, noting that while PIMCO has the authority to receive the benefit of research provided by broker-dealers executing portfolio transactions on behalf of the Portfolios, it has adopted a policy not to enter into contractual soft dollar arrangements.

7. CONCLUSIONS

Based on their review, including their comprehensive consideration and evaluation of each of the broad factors and information summarized above, the Independent Trustees and the Board as a whole concluded that the nature, extent and quality of the services rendered to the Portfolios by PIMCO and Research Affiliates supported the renewal of the Agreements and the Asset Allocation Agreement. The Independent Trustees and the Board as a whole concluded that the Agreements and the Asset Allocation Agreement continued to be fair and reasonable to the Portfolios and their shareholders, that the Portfolios' shareholders received reasonable value in return for the fees paid to PIMCO by the Portfolios under the Agreements and the fees paid to Research Affiliates by PIMCO under the Asset Allocation Agreement, and that the renewal of the Agreements and the Asset Allocation Agreement was in the best interests of the Portfolios and their shareholders.

General Information

Investment Adviser and Administrator
Pacific Investment Management Company LLC
650 Newport Center Drive
Newport Beach, CA 92660

Distributor
PIMCO Investments LLC
1633 Broadway
New York, NY 10019

Custodian
State Street Bank and Trust Company
801 Pennsylvania Avenue
Kansas City, MO 64105

Transfer Agent
DST Asset Manager Solutions, Inc.
430 W 7th Street STE 219024
Kansas City, MO 64105-1407

Legal Counsel
Dechert LLP
1900 K Street, N.W.
Washington, D.C. 20006

Independent Registered Public Accounting Firm
PricewaterhouseCoopers LLP
1100 Walnut Street, Suite 1300
Kansas City, MO 64106

This report is submitted for the general information of the shareholders of the Portfolio listed on the Report cover.

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PIMCO

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PIMCO

PIMCO VARIABLE INSURANCE TRUST

PIMCO Global Bond Opportunities Portfolio (Unhedged)

This brochure contains the following documents:

- Recent prospectus supplements relating to the above fund(s)
- The Annual Report dated December 31, 2018 (following the supplement(s))

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, you may not be receiving paper copies of the Fund's shareholder reports from the insurance company that offers your contract unless you specifically request paper copies from the insurance company or from your financial intermediary. Instead, the shareholder reports will be made available on a website, and the insurance company will notify you by mail each time a report is posted and provide you with a website link to access the report. Instructions for requesting paper copies will be provided by your insurance company.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the insurance company electronically by following the instructions provided by the insurance company.

You may elect to receive all future reports in paper free of charge from the insurance company. You should contact the insurance company if you wish to continue receiving paper copies of your shareholder reports. Your election to receive reports in paper will apply to all portfolio companies available under your contract at the insurance company.

A company of Allianz

PIMCO Variable Insurance Trust

Supplement dated July 26, 2018 to the Administrative Class Prospectus, Institutional Class Prospectus and Advisor Class and Class M Prospectus, each dated April 30, 2018, each as supplemented from time to time (the "Cluster Prospectuses"); Prospectuses for each share class of the PIMCO All Asset Portfolio, PIMCO All Asset All Authority Portfolio (together with the Prospectus for each share class of the PIMCO All Asset Portfolio, the "Asset Allocation Standalone Prospectuses"), PIMCO Balanced Allocation Portfolio, PIMCO CommodityRealReturn® Strategy Portfolio, PIMCO Emerging Markets Bond Portfolio, PIMCO International Bond Portfolio (Unhedged), PIMCO International Bond Portfolio (U.S. Dollar-Hedged), PIMCO Global Core Bond (Hedged) Portfolio, PIMCO Global Bond Opportunities Portfolio (Unhedged), PIMCO Global Diversified Allocation Portfolio, PIMCO Global Multi-Asset Managed Allocation Portfolio, PIMCO High Yield Portfolio, PIMCO Income Portfolio, PIMCO Low Duration Portfolio, PIMCO Real Return Portfolio, PIMCO Short-Term Portfolio, PIMCO Total Return Portfolio and PIMCO Dynamic Bond Portfolio (each of the foregoing except for the Asset Allocation Standalone Prospectuses and Cluster Prospectuses, the "non-Asset Allocation Standalone Prospectuses"), each dated April 30, 2018, each as supplemented from time to time; and the Statement of Additional Information dated April 30, 2018, as supplemented from time to time (the "SAI")

Effective July 30, 2018, the first paragraph in the "Characteristics and Risks of Securities and Investment Techniques—Foreign (Non-U.S.) Securities" section of the Cluster Prospectuses is deleted in its entirety and replaced with the following:

Certain Portfolios may invest in securities and instruments that are economically tied to foreign (non-U.S.) countries. PIMCO generally considers an instrument to be economically tied to a non-U.S. country if the issuer is a foreign (non-U.S.) government (or any political subdivision, agency, authority or instrumentality of such government), or if the issuer is organized under the laws of a non-U.S. country. The Portfolio's investments in foreign (non-U.S.) securities may include American Depositary Receipts ("ADRs"), European Depositary Receipts ("EDRs"), Global Depositary Receipts ("GDRs") and similar securities that represent interests in a non-U.S. company's securities that have been deposited with a bank or trust and that trade on a U.S. exchange or over-the-counter. ADRs, EDRs and GDRs may be less liquid or may trade at a different price than the underlying securities of the issuer. In the case of money market instruments other than commercial paper and certificates of deposit, such instruments will be considered economically tied to a non-U.S. country if the issuer of such money market instrument is organized under the laws of a non-U.S. country. In the case of commercial paper and certificates of deposit, such instruments will be considered economically tied to a non-U.S. country if the "country of exposure" of such instrument is a non-U.S. country, as determined by the criteria set forth below. With respect to derivative instruments, PIMCO generally considers such instruments to be economically tied to non-U.S. countries if the underlying assets are foreign currencies (or baskets or indexes of such currencies), or instruments or securities that are issued by foreign governments or issuers organized under the laws of a non-U.S. country (or if the underlying assets are money market instruments other than commercial paper and certificates of deposit, the issuer of such money market instrument is organized under the laws of a non-U.S. country or, in the case of underlying assets that are commercial paper or certificates of deposit, if the "country of exposure" of such money market instrument is a non-U.S. country). A security's "country of exposure" is determined by PIMCO using certain factors provided by a third-party analytical service provider. The factors are applied in order such that the first factor to result in the assignment of a country determines the "country of exposure." Both the factors and the order in which they are applied may change in the discretion of PIMCO. The current factors, listed in the order in which they are applied, are: (i) if an asset-backed or other collateralized security, the country in which the collateral backing the security is located; (ii) the "country of risk" of the issuer; (iii) if the security is guaranteed by the government of a country (or any political subdivision, agency, authority or instrumentality of such government), the country of the government or instrumentality providing the guarantee; (iv) the "country of risk" of the issuer's ultimate parent; or (v) the country where the issuer is organized or incorporated under the laws thereof. "Country of risk" is a separate four-part test determined by the following factors, listed in order of importance: (i) management location; (ii) country of primary listing; (iii) sales or revenue attributable to the country; and (iv) reporting currency of the issuer.

In addition, effective July 30, 2018, the first paragraph in the "Characteristics and Risks of Securities and Investment Techniques—Foreign (Non-U.S.) Securities" section of the Asset Allocation Standalone Prospectuses is deleted in its entirety and replaced with the following:

Certain Underlying PIMCO Funds may invest in securities and instruments that are economically tied to foreign (non-U.S.) countries. PIMCO generally considers an instrument to be economically tied to a non-U.S. country if the issuer is a foreign (non-U.S.) government (or any political subdivision, agency, authority or instrumentality of such government), or if the issuer is organized under the laws of a non-U.S. country. The Portfolio's investments in foreign (non-U.S.) securities may include American Depositary Receipts ("ADRs"), European Depositary Receipts ("EDRs"), Global Depositary Receipts ("GDRs") and similar securities that represent interests in a non- U.S. company's securities that have been deposited with a bank or trust and that trade on a U.S. exchange or over-the-counter. ADRs, EDRs and GDRs may be less liquid or may trade at a different price than the underlying securities of the issuer. In the case of money market instruments other than commercial paper and certificates of deposit, such instruments will be considered economically tied to a non-U.S. country if the issuer of such money market instrument is organized under the laws of a non-U.S. country. In the case of commercial paper and certificates of deposit, such instruments will be considered economically tied to a non-U.S. country if the "country of exposure" of such instrument is a non-U.S. country, as determined by the criteria set forth below. With respect to derivative instruments, PIMCO generally considers such instruments to be economically tied to non-U.S. countries if the underlying assets are foreign currencies (or baskets or indexes of such currencies), or instruments or securities that are issued by foreign governments or issuers organized under the laws of a non-U.S. country (or if the underlying assets are money market instruments other than commercial paper and certificates of deposit, the issuer of such money market instrument is organized under the laws of a non-U.S. country or, in the case of underlying assets that are commercial paper or certificates of deposit, if the "country of exposure" of such money market instrument is a non-U.S. country). A security's "country of exposure" is determined by PIMCO using certain factors provided by a third-party analytical service provider. The factors are applied in order such that the first factor to result in the assignment of a country determines the "country of exposure." Both the factors and the order in which they are applied may change in the discretion of PIMCO. The current factors, listed in the order in which they are applied, are: (i) if an asset-backed or other collateralized security, the country in which the collateral backing the security is located; (ii) the "country of risk" of the issuer; (iii) if the security is guaranteed by the government of a country (or any political subdivision, agency, authority or instrumentality of such government), the country of the government or instrumentality providing the guarantee; (iv) the "country of risk" of the issuer's ultimate parent; or (v) the country where the issuer is organized or incorporated under the laws thereof. "Country of risk" is a separate four-part test determined by the following factors, listed in order of importance: (i) management location; (ii) country of primary listing; (iii) sales or revenue attributable to the country; and (iv) reporting currency of the issuer.

In addition, effective July 30, 2018, the first paragraph in the "Characteristics and Risks of Securities and Investment Techniques—Foreign (Non-U.S.) Securities" section of the non-Asset Allocation Standalone Prospectuses is deleted in its entirety and replaced with the following:

The Portfolio may invest in securities and instruments that are economically tied to foreign (non-U.S.) countries. PIMCO generally considers an instrument to be economically tied to a non-U.S. country if the issuer is a foreign (non-U.S.) government (or any political subdivision, agency, authority or instrumentality of such government), or if the issuer is organized under the laws of a non-U.S. country. The Portfolio's investments in foreign (non-U.S.) securities may include American Depositary Receipts ("ADRs"), European Depositary Receipts ("EDRs"), Global Depositary Receipts ("GDRs") and similar securities that represent interests in a non- U.S. company's securities that have been deposited with a bank or trust and that trade on a U.S. exchange or over-the-counter. ADRs, EDRs and GDRs may be less liquid or may trade at a different price than the underlying securities of the issuer. In the case of money market instruments other than commercial paper and certificates of deposit, such instruments will be considered economically tied to a non-U.S. country if the issuer of such money market instrument is organized under the laws of a non-U.S. country. In the case of commercial paper and certificates of deposit, such instruments will be considered economically tied to a non-U.S. country if the "country of exposure" of such instrument is a non-U.S. country, as determined by the criteria set forth below. With respect to derivative instruments, PIMCO generally considers such instruments to be economically tied to non-U.S. countries if the

underlying assets are foreign currencies (or baskets or indexes of such currencies), or instruments or securities that are issued by foreign governments or issuers organized under the laws of a non-U.S. country (or if the underlying assets are money market instruments other than commercial paper and certificates of deposit, the issuer of such money market instrument is organized under the laws of a non-U.S. country or, in the case of underlying assets that are commercial paper or certificates of deposit, if the "country of exposure" of such money market instrument is a non-U.S. country). A security's "country of exposure" is determined by PIMCO using certain factors provided by a third-party analytical service provider. The factors are applied in order such that the first factor to result in the assignment of a country determines the "country of exposure." Both the factors and the order in which they are applied may change in the discretion of PIMCO. The current factors, listed in the order in which they are applied, are: (i) if an asset-backed or other collateralized security, the country in which the collateral backing the security is located; (ii) the "country of risk" of the issuer; (iii) if the security is guaranteed by the government of a country (or any political subdivision, agency, authority or instrumentality of such government), the country of the government or instrumentality providing the guarantee; (iv) the "country of risk" of the issuer's ultimate parent; or (v) the country where the issuer is organized or incorporated under the laws thereof. "Country of risk" is a separate four-part test determined by the following factors, listed in order of importance: (i) management location; (ii) country of primary listing; (iii) sales or revenue attributable to the country; and (iv) reporting currency of the issuer.

In addition, effective July 30, 2018, the first paragraph in the "Characteristics and Risks of Securities and Investment Techniques—Foreign (Non-U.S.) Securities—Emerging Market Securities" section of the Cluster Prospectuses is deleted in its entirety and replaced with the following:

Each Portfolio that may invest in foreign (non-U.S.) securities may invest in securities and instruments that are economically tied to developing (or "emerging market") countries. Each Portfolio is subject to the limitation on investment in emerging market securities noted in the Portfolio's Portfolio Summary. PIMCO generally considers an instrument to be economically tied to an emerging market country if: the issuer is organized under the laws of an emerging market country; the currency of settlement of the security is a currency of an emerging market country; the security is guaranteed by the government of an emerging market country (or any political subdivision, agency, authority or instrumentality of such government); for an asset-backed or other collateralized security, the country in which the collateral backing the security is located is an emerging market country; or the security's "country of exposure" is an emerging market country, as determined by the criteria set forth below. With respect to derivative instruments, PIMCO generally considers such instruments to be economically tied to emerging market countries if the underlying assets are currencies of emerging market countries (or baskets or indexes of such currencies), or instruments or securities that are issued or guaranteed by governments of emerging market countries or by entities organized under the laws of emerging market countries or if an instrument's "country of exposure" is an emerging market country. A security's "country of exposure" is determined by PIMCO using certain factors provided by a third-party analytical service provider. The factors are applied in order such that the first factor to result in the assignment of a country determines the "country of exposure." Both the factors and the order in which they are applied may change in the discretion of PIMCO. The current factors, listed in the order in which they are applied, are: (i) if an asset-backed or other collateralized security, the country in which the collateral backing the security is located; (ii) the "country of risk" of the issuer; (iii) if the security is guaranteed by the government of a country (or any political subdivision, agency, authority or instrumentality of such government), the country of the government or instrumentality providing the guarantee; (iv) the "country of risk" of the issuer's ultimate parent; or (v) the country where the issuer is organized or incorporated under the laws thereof. "Country of risk" is a separate four-part test determined by the following factors, listed in order of importance: (i) management location; (ii) country of primary listing; (iii) sales or revenue attributable to the country; and (iv) reporting currency of the issuer. PIMCO has broad discretion to identify countries that it considers to qualify as emerging markets. In making investments in emerging market securities, the Portfolio emphasizes those countries with relatively low gross national product per capita and with the potential for rapid economic growth. Emerging market countries are generally located in Asia, Africa, the Middle East, Latin America and Eastern Europe. PIMCO will select the country and currency composition based on its evaluation of relative interest rates, inflation rates, exchange rates, monetary and fiscal policies, trade and current account balances, legal and political developments and any other specific factors it believes to be relevant.

In addition, effective July 30, 2018, the first paragraph in the "Characteristics and Risks of Securities and Investment Techniques—Foreign (Non-U.S.) Securities—Emerging Market Securities" section of the Asset Allocation Standalone Prospectuses is deleted in its entirety and replaced with the following:

Certain Underlying PIMCO Funds may invest in securities and instruments that are economically tied to developing (or "emerging market") countries. Each Portfolio is subject to the limitation on investment in emerging market securities noted in the Portfolio's Portfolio Summary. PIMCO generally considers an instrument to be economically tied to an emerging market country if: the issuer is organized under the laws of an emerging market country; the currency of settlement of the security is a currency of an emerging market country; the security is guaranteed by the government of an emerging market country (or any political subdivision, agency, authority or instrumentality of such government); for an asset-backed or other collateralized security, the country in which the collateral backing the security is located is an emerging market country; or the security's "country of exposure" is an emerging market country, as determined by the criteria set forth below. With respect to derivative instruments, PIMCO generally considers such instruments to be economically tied to emerging market countries if the underlying assets are currencies of emerging market countries (or baskets or indexes of such currencies), or instruments or securities that are issued or guaranteed by governments of emerging market countries or by entities organized under the laws of emerging market countries or if an instrument's "country of exposure" is an emerging market country. A security's "country of exposure" is determined by PIMCO using certain factors provided by a third-party analytical service provider. The factors are applied in order such that the first factor to result in the assignment of a country determines the "country of exposure." Both the factors and the order in which they are applied may change in the discretion of PIMCO. The current factors, listed in the order in which they are applied, are: (i) if an asset-backed or other collateralized security, the country in which the collateral backing the security is located; (ii) the "country of risk" of the issuer; (iii) if the security is guaranteed by the government of a country (or any political subdivision, agency, authority or instrumentality of such government), the country of the government or instrumentality providing the guarantee; (iv) the "country of risk" of the issuer's ultimate parent; or (v) the country where the issuer is organized or incorporated under the laws thereof. "Country of risk" is a separate four-part test determined by the following factors, listed in order of importance: (i) management location; (ii) country of primary listing; (iii) sales or revenue attributable to the country; and (iv) reporting currency of the issuer. PIMCO has broad discretion to identify countries that it considers to qualify as emerging markets. In making investments in emerging market securities, the Portfolio emphasizes those countries with relatively low gross national product per capita and with the potential for rapid economic growth. Emerging market countries are generally located in Asia, Africa, the Middle East, Latin America and Eastern Europe. PIMCO will select the country and currency composition based on its evaluation of relative interest rates, inflation rates, exchange rates, monetary and fiscal policies, trade and current account balances, legal and political developments and any other specific factors it believes to be relevant.

In addition, effective July 30, 2018, the first paragraph in the "Characteristics and Risks of Securities and Investment Techniques—Foreign (Non-U.S.) Securities—Emerging Market Securities" section of the non-Asset Allocation Standalone Prospectuses is deleted in its entirety and replaced with the following:

The Portfolio may invest in securities and instruments that are economically tied to developing (or "emerging market") countries. Each Portfolio is subject to the limitation on investment in emerging market securities noted in the Portfolio's Portfolio Summary. PIMCO generally considers an instrument to be economically tied to an emerging market country if: the issuer is organized under the laws of an emerging market country; the currency of settlement of the security is a currency of an emerging market country; the security is guaranteed by the government of an emerging market country (or any political subdivision, agency, authority or instrumentality of such government); for an asset-backed or other collateralized security, the country in which the collateral backing the security is located is an emerging market country; or the security's "country of exposure" is an emerging market country, as determined by the criteria set forth below. With respect to derivative instruments, PIMCO generally considers such instruments to be economically tied to emerging market countries if the underlying assets are currencies of emerging market countries (or baskets or indexes of such currencies), or instruments or securities that are issued or guaranteed by governments of emerging market countries or by entities organized under the laws of emerging market countries or if an instrument's "country of exposure" is an emerging market country. A security's "country of exposure" is determined by PIMCO using certain factors provided by a

third-party analytical service provider. The factors are applied in order such that the first factor to result in the assignment of a country determines the "country of exposure." Both the factors and the order in which they are applied may change in the discretion of PIMCO. The current factors, listed in the order in which they are applied, are: (i) if an asset-backed or other collateralized security, the country in which the collateral backing the security is located; (ii) the "country of risk" of the issuer; (iii) if the security is guaranteed by the government of a country (or any political subdivision, agency, authority or instrumentality of such government), the country of the government or instrumentality providing the guarantee; (iv) the "country of risk" of the issuer's ultimate parent; or (v) the country where the issuer is organized or incorporated under the laws thereof. "Country of risk" is a separate four-part test determined by the following factors, listed in order of importance: (i) management location; (ii) country of primary listing; (iii) sales or revenue attributable to the country; and (iv) reporting currency of the issuer. PIMCO has broad discretion to identify countries that it considers to qualify as emerging markets. In making investments in emerging market securities, the Portfolio emphasizes those countries with relatively low gross national product per capita and with the potential for rapid economic growth. Emerging market countries are generally located in Asia, Africa, the Middle East, Latin America and Eastern Europe. PIMCO will select the country and currency composition based on its evaluation of relative interest rates, inflation rates, exchange rates, monetary and fiscal policies, trade and current account balances, legal and political developments and any other specific factors it believes to be relevant.

In addition, effective July 30, 2018, the second paragraph in the "Investment Objectives and Policies—Foreign Securities" section of the SAI is deleted in its entirety and replaced with the following:

PIMCO generally considers an instrument to be economically tied to a non-U.S. country if the issuer is a foreign government (or any political subdivision, agency, authority or instrumentality of such government), or if the issuer is organized under the laws of a non-U.S. country. In the case of money market instruments other than commercial paper and certificates of deposit, such instruments will be considered economically tied to a non-U.S. country if the issuer of such money market instrument is organized under the laws of a non-U.S. country. In the case of commercial paper and certificates of deposit, such instruments will be considered economically tied to a non-U.S. country if the "country of exposure" of such instrument is a non-U.S. country, as determined by the criteria set forth below. With respect to derivative instruments, PIMCO generally considers such instruments to be economically tied to non-U.S. countries if the underlying assets are foreign currencies (or baskets or indexes of such currencies), or instruments or securities that are issued by foreign governments or issuers organized under the laws of a non-U.S. country (or if the underlying assets are money market instruments other than commercial paper and certificates of deposit, the issuer of such money market instrument is organized under the laws of a non-U.S. country or, in the case of underlying assets that are commercial paper or certificates of deposit, if the "country of exposure" of such money market instrument is a non-U.S. country). A security's "country of exposure" is determined by PIMCO using certain factors provided by a third-party analytical service provider. The factors are applied in order such that the first factor to result in the assignment of a country determines the "country of exposure." Both the factors and the order in which they are applied may change in the discretion of PIMCO. The current factors, listed in the order in which they are applied, are: (i) if an asset-backed or other collateralized security, the country in which the collateral backing the security is located; (ii) the "country of risk" of the issuer; (iii) if the security is guaranteed by the government of a country (or any political subdivision, agency, authority or instrumentality of such government), the country of the government or instrumentality providing the guarantee; (iv) the "country of risk" of the issuer's ultimate parent; or (v) the country where the issuer is organized or incorporated under the laws thereof. "Country of risk" is a separate four-part test determined by the following factors, listed in order of importance: (i) management location; (ii) country of primary listing; (iii) sales or revenue attributable to the country; and (iv) reporting currency of the issuer.

In addition, effective July 30, 2018, the fourth paragraph in the "Investment Objectives and Policies—Foreign Securities" section of the SAI is deleted in its entirety and replaced with the following.

PIMCO generally considers an instrument to be economically tied to an emerging market country if: the issuer is organized under the laws of an emerging market country; the currency of settlement of the security is a currency of an emerging market country; the security is guaranteed by the government of an emerging market country (or any political subdivision, agency, authority or instrumentality of such government); for an asset-backed or other

collateralized security, the country in which the collateral backing the security is located is an emerging market country; or the security's "country of exposure" is an emerging market country, as determined by the criteria set forth below. With respect to derivative instruments, PIMCO generally considers such instruments to be economically tied to emerging market countries if the underlying assets are currencies of emerging market countries (or baskets or indexes of such currencies), or instruments or securities that are issued or guaranteed by governments of emerging market countries or by entities organized under the laws of emerging market countries or if an instrument's "country of exposure" is an emerging market country. A security's "country of exposure" is determined by PIMCO using certain factors provided by a third-party analytical service provider. The factors are applied in order such that the first factor to result in the assignment of a country determines the "country of exposure." Both the factors and the order in which they are applied may change in the discretion of PIMCO. The current factors, listed in the order in which they are applied, are: (i) if an asset-backed or other collateralized security, the country in which the collateral backing the security is located; (ii) the "country of risk" of the issuer; (iii) if the security is guaranteed by the government of a country (or any political subdivision, agency, authority or instrumentality of such government), the country of the government or instrumentality providing the guarantee; (iv) the "country of risk" of the issuer's ultimate parent; or (v) the country where the issuer is organized or incorporated under the laws thereof. "Country of risk" is a separate four-part test determined by the following factors, listed in order of importance: (i) management location; (ii) country of primary listing; (iii) sales or revenue attributable to the country; and (iv) reporting currency of the issuer. PIMCO has broad discretion to identify countries that it considers to qualify as emerging markets. In exercising such discretion, PIMCO identifies countries as emerging markets consistent with the strategic objectives of the particular Portfolio. For example, a Portfolio may consider a country to be an emerging market country based on a number of factors including, but not limited to, if the country is classified as an emerging or developing economy by any supranational organization such as the World Bank or the United Nations, or related entities, or if the country is considered an emerging market country for purposes of constructing emerging markets indices. In some cases, this approach may result in PIMCO identifying a particular country as an emerging market with respect to certain Portfolios but not others.

Investors Should Retain This Supplement For Future Reference

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PIMCO

PIMCO VARIABLE INSURANCE TRUST

Annual Report

December 31, 2018

PIMCO Global Bond Opportunities Portfolio (Unhedged)

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, you may not be receiving paper copies of the Portfolio's shareholder reports from the insurance company that offers your contract unless you specifically request paper copies from the insurance company or from your financial intermediary. Instead, the shareholder reports will be made available on a website, and the insurance company will notify you by mail each time a report is posted and provide you with a website link to access the report. Instructions for requesting paper copies will be provided by your insurance company.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the insurance company electronically by following the instructions provided by the insurance company.

You may elect to receive all future reports in paper free of charge from the insurance company. You should contact the insurance company if you wish to continue receiving paper copies of your shareholder reports. Your election to receive reports in paper will apply to all portfolio companies available under your contract at the insurance company.

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Table of Contents

	Page
Chairman’s Letter	2
Important Information About the PIMCO Global Bond Opportunities Portfolio (Unhedged)	4
Portfolio Summary	6
Expense Example	7
Financial Highlights	8
Statement of Assets and Liabilities	10
Statement of Operations	11
Statements of Changes in Net Assets	12
Schedule of Investments	13
Notes to Financial Statements	30
Report of Independent Registered Public Accounting Firm	49
Glossary	50
Federal Income Tax Information	51
Management of the Trust	52
Privacy Policy	54
Approval of Investment Advisory Contract and Other Agreements	55

* Prior to July 30, 2018, the PIMCO Global Bond Opportunities Portfolio (Unhedged) was named the PIMCO Global Bond Portfolio (Unhedged).

Dear PIMCO Variable Insurance Trust Shareholder,

Following this letter is the PIMCO Variable Insurance Trust Annual Report, which covers the 12-month reporting period ended December 31, 2018. On the subsequent pages you will find specific details regarding investment results and discussion of the factors that most affected performance during the reporting period.

For the 12-month reporting period ended December 31, 2018

The U.S. economy continued to expand during the reporting period. Looking back, U.S. gross domestic product ("GDP") grew at an annual pace of 2.2% during the first quarter of 2018. During the second quarter of 2018, GDP growth rose to an annual pace of 4.2%, the strongest since the third quarter of 2014. GDP then expanded at an annual pace of 3.4% during the third quarter of the year. Finally, the Commerce Department's initial reading for fourth-quarter 2018 GDP has been delayed due to the partial government shutdown.

The Federal Reserve (the "Fed") continued to normalize monetary policy during the reporting period. During its meetings that concluded in March, June, September and December 2018, the Fed raised the federal funds rate in 0.25% increments. The Fed's December rate hike pushed the federal funds rate to a range between 2.25% and 2.50%. In addition, the Fed continued to reduce its balance sheet during the reporting period.

Economic activity outside the U.S. initially accelerated during the reporting period, but moderated as it progressed. Against this backdrop, the European Central Bank (the "ECB") and the Bank of Japan largely maintained their highly accommodative monetary policies, while other central banks took a more hawkish stance. The Bank of England raised rates at its meeting in August 2018 and the Bank of Canada raised rates twice during the reporting period. Meanwhile, the ECB ended its quantitative easing program in December 2018, but indicated that it does not expect to raise interest rates "at least through the summer of 2019."

The U.S. Treasury yield curve flattened during the reporting period as short-term rates moved up more than longer-term rates. In our view, the increase in rates at the short end of the yield curve was mostly due to Fed interest rate increases. The yield on the benchmark 10-year U.S. Treasury note was 2.69% at the end of the reporting period, up from 2.40% on December 31, 2017. U.S. Treasuries, as measured by the Bloomberg Barclays U.S. Treasury Index, returned 0.86% over the 12 months ended December 31, 2018. Meanwhile, the Bloomberg Barclays U.S. Aggregate Bond Index, a widely used index of U.S. investment grade bonds, returned 0.01% over the period. Riskier fixed income asset classes, including high yield corporate bonds and emerging market debt, generated weak results versus the broad U.S. market. The ICE BofAML U.S. High Yield Index returned -2.27% over the reporting period, whereas emerging market external debt, as represented by the JPMorgan Emerging Markets Bond Index (EMBI) Global, returned -4.61% over the reporting period. Emerging market local bonds, as represented by the JPMorgan Government Bond Index-Emerging Markets Global Diversified Index (Unhedged), returned -6.21% over the period.

Global equities produced poor results during the reporting period. U.S. equities moved sharply higher over the first nine months of the period. We believe this rally was driven by a number of factors, including corporate profits that often exceeded expectations. However, U.S. equities fell sharply during the fourth quarter of 2018. We believe this was triggered by a number of factors, including signs of moderating global growth, concerns over future Fed rate hikes, the ongoing trade dispute between the U.S. and China and the partial U.S. government shutdown. All told, U.S. equities, as represented by the S&P 500 Index, returned -4.38% during the reporting period. Elsewhere, emerging market equities, as measured by the MSCI Emerging Markets Index, returned -14.58% during the reporting period, whereas global equities, as represented by the MSCI World Index, returned -8.71%. Elsewhere, Japanese equities, as represented by the Nikkei 225 Index (in JPY), returned -10.39% during the reporting period and European equities, as represented by the MSCI Europe Index (in EUR), returned -10.57%.

Commodity prices fluctuated and generally declined during the reporting period. When the reporting period began, West Texas crude oil was approximately $65 a barrel, but by the end it was roughly $45 a barrel. This was driven in

part by increased supply and declining global demand. Elsewhere, gold and copper prices also moved lower during the reporting period.

Finally, during the reporting period the foreign exchange markets experienced periods of volatility, due in part to signs of decoupling economic growth and central bank policies, along with a number of geopolitical events. The U.S. dollar produced mixed results against other major currencies during the reporting period. For example, the U.S. dollar appreciated 4.71% and 5.90% versus the euro and the British pound, respectively, whereas the U.S. dollar depreciated 2.66% versus the yen during the reporting period.

Thank you for the assets you have placed with us. We deeply value your trust, and we will continue to work diligently to meet your broad investment needs.

Sincerely,

Brent R. Harris
Chairman of the Board,
PIMCO Variable Insurance Trust

Past performance is no guarantee of future results. Unless otherwise noted, index returns reflect the reinvestment of income distributions and capital gains, if any, but do not reflect fees, brokerage commissions or other expenses of investing. It is not possible to invest directly in an unmanaged index.

Important Information About the PIMCO Global Bond Opportunities Portfolio (Unhedged)

PIMCO Variable Insurance Trust (the "Trust") is an open-end management investment company that includes the PIMCO Global Bond Opportunities Portfolio (Unhedged) (the "Portfolio"). The Portfolio is only available as a funding vehicle under variable life insurance policies or variable annuity contracts issued by insurance companies ("Variable Contracts"). Individuals may not purchase shares of the Portfolio directly. Shares of the Portfolio also may be sold to qualified pension and retirement plans outside of the separate account context.

We believe that bond funds have an important role to play in a well-diversified investment portfolio. It is important to note, however, that in an environment where interest rates may trend upward, rising rates would negatively impact the performance of most bond funds, and fixed income securities and other instruments held by the Portfolio are likely to decrease in value. A wide variety of factors can cause interest rates to rise (e.g., central bank monetary policies, inflation rates, general economic conditions, etc.). In addition, changes in interest rates can be sudden and unpredictable, and there is no guarantee that management will anticipate such movement accurately. The Portfolio may lose money as a result of movements in interest rates.

As of the date of this report, interest rates in the U.S. and many parts of the world, including certain European countries, are at or near historically low levels. Thus, the Portfolio currently faces a heightened level of interest rate risk, especially since the Fed has ended its quantitative easing program and has begun, and may continue, to raise interest rates. To the extent the Fed continues to raise interest rates, there is a risk that rates across the financial system may rise. Further, while bond markets have steadily grown over the past three decades, dealer inventories of corporate bonds are near historic lows in relation to market size. As a result, there has been a significant reduction in the ability of dealers to "make markets."

Bond funds and individual bonds with a longer duration (a measure used to determine the sensitivity of a security's price to changes in interest rates) tend to be more sensitive to changes in interest rates, usually making them more volatile than securities or funds with shorter durations. All of the factors mentioned above, individually or collectively, could lead to increased volatility and/or lower liquidity in the fixed income markets or negatively impact the Portfolio's performance or cause the Portfolio to incur losses. As a result, the Portfolio may experience increased shareholder redemptions, which, among other things, could further reduce the net assets of the Portfolio.

The Portfolio may be subject to various risks as described in the Portfolio's prospectus and in the Principal Risks in the Notes to Financial Statements.

The geographical classification of foreign (non-U.S.) securities in this report are classified by the country of incorporation of a holding. In certain instances, a security's country of incorporation may be different from its country of economic exposure.

The United States presidential administration's enforcement of tariffs on goods from other countries, with a focus on China, has contributed to international trade tensions and may impact portfolio securities.

The United Kingdom's decision to leave the European Union may impact Portfolio returns. This decision may cause substantial volatility in foreign exchange markets, lead to weakness in the exchange rate of the British pound, result in a sustained period of market uncertainty, and destabilize some or all of the other European Union member countries and/or the Eurozone.

On the Portfolio Summary page in this Shareholder Report, the Average Annual Total Return table and Cumulative Returns chart measure performance assuming that any dividend and capital gain distributions were reinvested. The Cumulative Returns chart reflects only Administrative Class performance. Performance may vary by share class based on each class's expense ratios. The Portfolio measures its performance against at least one broad-based securities market index ("benchmark index"). The benchmark index does not take into account fees, expenses, or taxes. The Portfolio's past performance, before and after taxes, is not necessarily an indication of how the Portfolio will perform in the future. There is no assurance that the Portfolio, even if the Portfolio has experienced high or unusual performance for one or more periods, will experience similar levels of performance in the future. High performance is defined as a significant increase in either 1) the Portfolio's total return in excess of that of the Portfolio's benchmark between reporting periods or 2) the Portfolio's total return in excess of the Portfolio's historical returns between reporting periods. Unusual performance is defined as a significant change in the Portfolio's performance as compared to one or more previous reporting periods.

The following table discloses the inception dates of the Portfolio and its respective share classes along with the Portfolio's diversification status as of period end:

Portfolio Name	Portfolio Inception	Institutional Class	Administrative Class	Advisor Class	Diversification Status
PIMCO Global Bond Opportunities Portfolio (Unhedged)	01/10/02	01/31/06	01/10/02	10/31/06	Diversified

An investment in the Portfolio is not a bank deposit and is not guaranteed or insured by the Federal Deposit Insurance Corporation ("FDIC") or any other government agency. It is possible to lose money on investments in the Portfolio.

The Trustees are responsible generally for overseeing the management of the Trust. The Trustees authorize the Trust to enter into service agreements with the Adviser, the Distributor, the Administrator and other service providers in order to provide, and in some cases authorize service providers to procure through other parties, necessary or desirable services on behalf of the Trust and the Portfolio. Shareholders are not parties to or third-party beneficiaries of such service agreements. Neither this Portfolio's prospectus nor summary prospectus, the Trust's Statement of Additional Information ("SAI"), any contracts filed as exhibits to the Trust's registration statement, nor any other communications, disclosure documents or regulatory filings (including this report) from or on behalf of the Trust or the Portfolio creates a contract between or among any shareholder of the Portfolio, on the one hand, and the Trust, the Portfolio, a service provider to the Trust or the Portfolio, and/or the Trustees or officers of the Trust, on the other hand. The Trustees (or the Trust and its officers, service providers or other delegates acting under authority of the Trustees) may amend the most recent prospectus or use a new prospectus, summary prospectus or SAI with respect to the Portfolio or the Trust, and/or amend, file and/or issue any other communications, disclosure documents or regulatory filings, and may amend or enter into any contracts to which the Trust or the Portfolio is a party, and interpret the investment objective(s), policies, restrictions and contractual provisions applicable to the Portfolio, without shareholder input or approval, except in circumstances in which shareholder approval is specifically required by law (such as changes to fundamental investment policies) or where a shareholder approval requirement is specifically disclosed in the Trust's then-current prospectus or SAI.

PIMCO has adopted written proxy voting policies and procedures ("Proxy Policy") as required by Rule 206(4)-6 under the Investment Advisers Act of 1940, as amended. The Proxy Policy has been adopted by the Trust as the policies and procedures that PIMCO will use when voting proxies on behalf of the Portfolio. A description of the policies and procedures that PIMCO uses to vote proxies relating to portfolio securities of the Portfolio, and information about how the Portfolio voted proxies relating to portfolio securities held during the most recent twelve-month period ended June 30, are available without charge, upon request, by calling the Trust at (888) 87-PIMCO, on the Portfolio's website at www.pimco.com/pvit, and on the Securities and Exchange Commission's ("SEC") website at www.sec.gov.

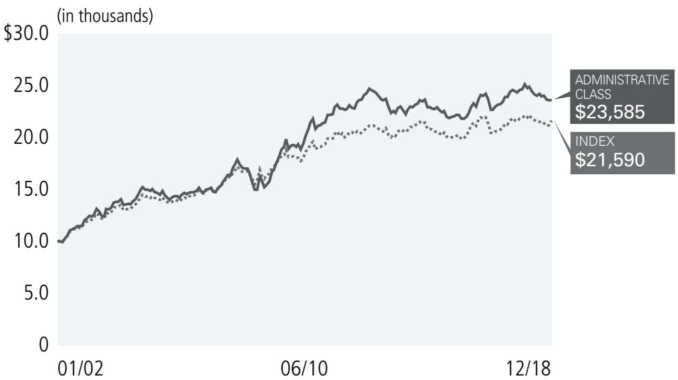
The Trust files a complete schedule of the Portfolio's holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. A copy of the Portfolio's Form N-Q is available on the SEC's website at www.sec.gov. A copy of the Portfolio's Form N-Q is also available without charge, upon request, by calling the Trust at (888) 87-PIMCO and on the Portfolio's website at www.pimco.com/pvit.

The SEC adopted a rule that, beginning in 2021, generally will allow shareholder reports to be delivered to investors by providing access to such reports online free of charge and by mailing a notice that the report is electronically available. Pursuant to the rule, investors may still elect to receive a complete shareholder report in the mail. Instructions for electing to receive paper copies of the Portfolio's shareholder reports going forward may be found on the front cover of this report.

The SEC adopted amendments to certain disclosure requirements relating to open-end investment companies' liquidity risk management programs. Effective December 1, 2019, large fund complexes will be required to include in their shareholder reports a discussion of their liquidity risk management programs' operations over the past year.

PIMCO Global Bond Opportunities Portfolio (Unhedged)

Cumulative Returns Through December 31, 2018



$10,000 invested at the end of the month when the Portfolio's Administrative Class commenced operations.

Geographic Breakdown as of 12/31/2018†§

United States‡	46.0%
United Kingdom	7.1%
Sweden	4.4%
Canada	3.9%
France	3.7%
Netherlands	2.9%
Denmark	2.7%
Spain	2.2%
Cayman Islands	2.2%
Japan	2.1%
Peru	1.8%
Saudi Arabia	1.6%
Qatar	1.1%
Ireland	1.0%
Other	8.5%

† % of Investments, at value.

§ Geographic Breakdown and % of Investments exclude securities sold short, financial derivative instruments and short-term instruments, if any.

‡ Includes Central Funds Used for Cash Management Purposes.

Average Annual Total Return for the period ended December 31, 2018

		1 Year	5 Years	10 Years	Inception≈
	PIMCO Global Bond Opportunities Portfolio (Unhedged) Institutional Class	(4.05)%	1.37%	4.01%	4.09%
—	PIMCO Global Bond Opportunities Portfolio (Unhedged) Administrative Class	(4.19)%	1.22%	3.85%	5.19%
	PIMCO Global Bond Opportunities Portfolio (Unhedged) Advisor Class	(4.29)%	1.12%	3.75%	3.79%
·····	Bloomberg Barclays Global Aggregate (USD Unhedged) Index±	(1.20)%	1.08%	2.49%	4.57%♦

All Portfolio returns are net of fees and expenses.

≈ For class inception dates please refer to the Important Information.

♦ Average annual total return since 12/31/2001.

± Bloomberg Barclays Global Aggregate (USD Unhedged) Index provides a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian Government securities, and USD investment grade 144A securities.

It is not possible to invest directly in an unmanaged index.

Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Current performance may be lower or higher than performance shown. Investment return and the principal value of an investment will fluctuate. Shares may be worth more or less than original cost when redeemed. The Portfolio's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in Variable Contracts, which will reduce returns. Differences in the Portfolio's performance versus the index and related attribution information with respect to particular categories of securities or individual positions may be attributable, in part, to differences in the prices of individual positions (which may be sourced from different pricing vendors or other sources) used by the Portfolio and the index. For performance current to the most recent month-end, visit www.pimco.com/pvit or via (888) 87-PIMCO.

The Portfolio's total annual operating expense ratio in effect as of period end were 0.81% for Institutional Class shares, 0.96% for Administrative Class shares, and 1.06% for Advisor Class shares. Details regarding any changes to the Portfolio's operating expenses, subsequent to period end, can be found in the Portfolio's current prospectus, as supplemented.

Investment Objective and Strategy Overview

PIMCO Global Bond Opportunities Portfolio (Unhedged) seeks maximum total return, consistent with preservation of capital and prudent investment management, by investing under normal circumstances at least 80% of its assets in Fixed Income Instruments that are economically tied to at least three countries (one of which may be the United States), which may be represented by forwards or derivatives such as options, futures contracts or swap agreements. "Fixed Income Instruments" include bonds, debt securities and other similar instruments issued by various U.S. and non-U.S. public- or private-sector entities. Securities may be denominated in major foreign currencies, baskets of foreign currencies (such as the euro) or the U.S. dollar. Portfolio strategies may change from time to time. Please refer to the Portfolio's current prospectus for more information regarding the Portfolio's strategy.

Portfolio Insights

The following affected performance during the reporting period:

» Overweight exposure to German duration contributed to performance relative to the benchmark, as rates fell.

» Positions in non-agency mortgage-backed securities contributed to relative performance, as these securities generated positive total returns.

» U.S. interest rate strategies, particularly a combination of curve positioning and yield advantage contributed to performance, as rates rose across the yield curve.

» Overweight exposure to select developed market currencies, particularly the Norwegian krone and Australian dollar detracted from performance, as these currencies depreciated relative to the U.S. dollar.

» Overweight exposure to a basket of emerging market currencies detracted from relative performance, as the MSCI Emerging Markets Currency index, which generally captures the overall performance of emerging market currencies, declined relative to the U.S. dollar.

» Underweight exposure to duration in Japan detracted from relative performance, as rates fell.

Example

As a shareholder of the Portfolio, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management fees, distribution and/or service (12b-1) fees (if applicable), and other Portfolio expenses. The Example is intended to help you understand your ongoing costs (in dollars) of investing in the Portfolio and to compare these costs with the ongoing costs of investing in other mutual funds.

The Expense Example does not reflect any fees or other expenses imposed by the Variable Contracts. If it did, the expenses reflected in the Expense Example would be higher. The Example is based on an investment of $1,000 invested at the beginning of the period and held from July 1, 2018 to December 31, 2018 unless noted otherwise in the table and footnotes below.

Actual Expenses

The information in the table under the heading "Actual" provides information about actual account values and actual expenses. You may use this information, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.60), then multiply the result by the number in the appropriate row for your share class, in the column titled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

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

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs. Therefore, the information under the heading "Hypothetical (5% return before expenses)" is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different portfolios. In addition, if these transactional costs were included, your costs would have been higher.

Expense ratios may vary period to period because of various factors, such as an increase in expenses that are not covered by the management fees such as fees and expenses of the independent trustees and their counsel, extraordinary expenses and interest expense.

	Actual			Hypothetical (5% return before expenses)			
	Beginning Account Value (07/01/18)	Ending Account Value (12/31/18)	Expenses Paid During Period*	Beginning Account Value (07/01/18)	Ending Account Value (12/31/18)	Expenses Paid During Period*	Net Annualized Expense Ratio**
Institutional Class	$ 1,000.00	$ 982.70	$ 4.45	$ 1,000.00	$ 1,020.72	$ 4.53	0.89%
Administrative Class	1,000.00	982.00	5.20	1,000.00	1,019.96	5.30	1.04
Advisor Class	1,000.00	981.50	5.69	1,000.00	1,019.46	5.80	1.14

* Expenses Paid During Period are equal to the net annualized expense ratio for the class, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period). Overall fees and expenses of investing in the Portfolio will be higher because the example does not reflect variable contract fees and expenses.

** Net Annualized Expense Ratio is reflective of any applicable contractual fee waivers and/or expense reimbursements or voluntary fee waivers. Details regarding fee waivers, if any, can be found in Note 9, Fees and Expenses, in the Notes to Financial Statements.

Financial Highlights PIMCO Global Bond Opportunities Portfolio (Unhedged)

Selected Per Share Data for the Year Ended^:	Net Asset Value Beginning of Year	Investment Operations: Net Investment Income (Loss)[a]	Investment Operations: Net Realized/ Unrealized Gain (Loss)	Investment Operations: Total	Less Distributions[b]: From Net Investment Income	Less Distributions[b]: From Net Realized Capital Gain	Less Distributions[b]: Tax Basis Return of Capital	Less Distributions[b]: Total
Institutional Class								
12/31/2018	$ 12.29	$ 0.27	$ (0.77)	$ (0.50)	$ (0.76)	$ (0.03)	$ (0.04)	$ (0.83)
12/31/2017	11.54	0.21	0.80	1.01	(0.26)	0.00	0.00	(0.26)
12/31/2016	11.26	0.24	0.24	0.48	(0.20)	0.00	0.00	(0.20)
12/31/2015	11.95	0.23	(0.69)	(0.46)	0.00	0.00	(0.23)	(0.23)
12/31/2014	12.34	0.35	(0.05)	0.30	(0.32)	(0.36)	(0.01)	(0.69)
Administrative Class								
12/31/2018	12.29	0.25	(0.77)	(0.52)	(0.74)	(0.03)	(0.04)	(0.81)
12/31/2017	11.54	0.19	0.80	0.99	(0.24)	0.00	0.00	(0.24)
12/31/2016	11.26	0.23	0.23	0.46	(0.18)	0.00	0.00	(0.18)
12/31/2015	11.95	0.21	(0.69)	(0.48)	0.00	0.00	(0.21)	(0.21)
12/31/2014	12.34	0.33	(0.05)	0.28	(0.30)	(0.36)	(0.01)	(0.67)
Advisor Class								
12/31/2018	12.29	0.24	(0.77)	(0.53)	(0.73)	(0.03)	(0.04)	(0.80)
12/31/2017	11.54	0.18	0.80	0.98	(0.23)	0.00	0.00	(0.23)
12/31/2016	11.26	0.22	0.23	0.45	(0.17)	0.00	0.00	(0.17)
12/31/2015	11.95	0.20	(0.69)	(0.49)	0.00	0.00	(0.20)	(0.20)
12/31/2014	12.34	0.32	(0.05)	0.27	(0.29)	(0.36)	(0.01)	(0.66)

^ A zero balance may reflect actual amounts rounding to less than $0.01 or 0.01%.

(a) Per share amounts based on average number of shares outstanding during the year.

(b) The tax characterization of distributions is determined in accordance with Federal income tax regulations. See Note 2, Distributions to Shareholders, in the Notes to Financial Statements for more information.

Net Asset Value End of Year	Total Return	Net Assets End of Year (000s)	Ratios/Supplemental Data — Ratios to Average Net Assets: Expenses	Expenses Excluding Waivers	Expenses Excluding Interest Expense	Expenses Excluding Interest Expense and Waivers	Net Investment Income (Loss)	Portfolio Turnover Rate
$ 10.96	(4.05)%	$ 9,561	0.84%	0.84%	0.75%	0.75%	2.27%	255%
12.29	8.79	10,067	0.81	0.81	0.75	0.75	1.73	339
11.54	4.20	9,237	0.77	0.77	0.75	0.75	2.03	676
11.26	(3.89)	6,123	0.75	0.75	0.75	0.75	1.98	506
11.95	2.42	6,757	0.76	0.76	0.75	0.75	2.76	496
10.96	(4.19)	166,921	0.99	0.99	0.90	0.90	2.12	255
12.29	8.63	198,189	0.96	0.96	0.90	0.90	1.58	339
11.54	4.04	197,606	0.92	0.92	0.90	0.90	1.93	676
11.26	(4.03)	201,031	0.90	0.90	0.90	0.90	1.84	506
11.95	2.27	257,588	0.91	0.91	0.90	0.90	2.60	496
10.96	(4.29)	23,856	1.09	1.09	1.00	1.00	2.01	255
12.29	8.52	29,267	1.06	1.06	1.00	1.00	1.47	339
11.54	3.94	31,111	1.02	1.02	1.00	1.00	1.82	676
11.26	(4.13)	34,790	1.00	1.00	1.00	1.00	1.73	506
11.95	2.16	38,067	1.01	1.01	1.00	1.00	2.51	496

Statement of Assets and Liabilities PIMCO Global Bond Opportunities Portfolio (Unhedged)

(Amounts in thousands†, except per share amounts)	December 31, 2018
Assets:	
Investments, at value	
Investments in securities	$ 248,161
Investments in Affiliates	3,385
Financial Derivative Instruments	
Exchange-traded or centrally cleared	519
Over the counter	2,147
Cash	69
Deposits with counterparty	5,154
Foreign currency, at value	1,404
Receivable for investments sold	11,956
Receivable for TBA investments sold	17,288
Receivable for Portfolio shares sold	123
Interest and/or dividends receivable	1,461
Dividends receivable from Affiliates	10
Other assets	1
Total Assets	291,678
Liabilities:	
Borrowings & Other Financing Transactions	
Payable for reverse repurchase agreements	$ 18,614
Payable for sale-buyback transactions	439
Payable for short sales	1,488
Financial Derivative Instruments	
Exchange-traded or centrally cleared	538
Over the counter	3,454
Payable for investments purchased	10,463
Payable for investments in Affiliates purchased	10
Payable for TBA investments purchased	54,841
Deposits from counterparty	871
Payable for Portfolio shares redeemed	471
Accrued investment advisory fees	41
Accrued supervisory and administrative fees	83
Accrued distribution fees	5
Accrued servicing fees	21
Other liabilities	1
Total Liabilities	91,340
Net Assets	$ 200,338
Net Assets Consist of:	
Paid in capital	$ 204,584
Distributable earnings (accumulated loss)	(4,246)
Net Assets	$ 200,338
Net Assets:	
Institutional Class	$ 9,561
Administrative Class	166,921
Advisor Class	23,856
Shares Issued and Outstanding:	
Institutional Class	872
Administrative Class	15,232
Advisor Class	2,177
Net Asset Value Per Share Outstanding:	
Institutional Class	$ 10.96
Administrative Class	10.96
Advisor Class	10.96
Cost of investments in securities	$ 246,540
Cost of investments in Affiliates	$ 3,418
Cost of foreign currency held	$ 1,426
Proceeds received on short sales	$ 1,502
Cost or premiums of financial derivative instruments, net	$ 1,401

† A zero balance may reflect actual amounts rounding to less than one thousand.

Statement of Operations PIMCO Global Bond Opportunities Portfolio (Unhedged)

(Amounts in thousands†)	Year Ended December 31, 2018
Investment Income:	
Interest	$ 6,677
Dividends	18
Dividends from Investments in Affiliates	156
Total Income	6,851
Expenses:	
Investment advisory fees	550
Supervisory and administrative fees	1,100
Servicing fees - Administrative Class	275
Distribution and/or servicing fees - Advisor Class	67
Trustee fees	6
Interest expense	209
Miscellaneous expense	3
Total Expenses	2,210
Net Investment Income (Loss)	4,641
Net Realized Gain (Loss):	
Investments in securities	(1,325)
Investments in Affiliates	2
Net capital gain distributions received from Affiliate investments	4
Exchange-traded or centrally cleared financial derivative instruments	(138)
Over the counter financial derivative instruments	232
Short sales	(18)
Foreign currency	(2,868)
Net Realized Gain (Loss)	(4,111)
Net Change in Unrealized Appreciation (Depreciation):	
Investments in securities	(6,327)
Investments in Affiliates	(32)
Exchange-traded or centrally cleared financial derivative instruments	(2,187)
Over the counter financial derivative instruments	(3,548)
Short sales	20
Foreign currency assets and liabilities	2,331
Net Change in Unrealized Appreciation (Depreciation)	(9,743)
Net Increase (Decrease) in Net Assets Resulting from Operations	$ (9,213)

† A zero balance may reflect actual amounts rounding to less than one thousand.

Statements of Changes in Net Assets PIMCO Global Bond Opportunities Portfolio (Unhedged)

(Amounts in thousands[†])	Year Ended December 31, 2018	Year Ended December 31, 2017
Increase (Decrease) in Net Assets from:		
Operations:		
Net investment income (loss)	$ 4,641	$ 3,773
Net realized gain (loss)	(4,111)	10,169
Net change in unrealized appreciation (depreciation)	(9,743)	5,942
Net Increase (Decrease) in Net Assets Resulting from Operations	(9,213)	19,884
Distributions to Shareholders:		
From net investment income and/or net realized capital gains*		
Institutional Class	(656)	(211)
Administrative Class	(11,397)	(3,951)
Advisor Class	(1,609)	(557)
Tax basis return of capital		
Institutional Class	(36)	0
Administrative Class	(674)	0
Advisor Class	(99)	0
Total Distributions[(a)]	(14,471)	(4,719)
Portfolio Share Transactions:		
Net increase (decrease) resulting from Portfolio share transactions**	(13,501)	(15,596)
Total Increase (Decrease) in Net Assets	(37,185)	(431)
Net Assets:		
Beginning of year	237,523	237,954
End of year	$ 200,338	$ 237,523

† A zero balance may reflect actual amounts rounding to less than one thousand.
* See Note 2, New Accounting Pronouncements, in the Notes to Financial Statements for more information.
** See Note 13, Shares of Beneficial Interest, in the Notes to Financial Statements.
(a) The tax characterization of distributions is determined in accordance with Federal income tax regulations. See Note 2, Distributions to Shareholders, in the Notes to Financial Statements for more information.

(Amounts in thousands*, except number of shares, contracts and units, if any)

		PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
INVESTMENTS IN SECURITIES 123.9%			
ARGENTINA 0.1%			
SOVEREIGN ISSUES 0.1%			
Argentina Government International Bond			
50.225% (BADLARPP + 2.000%) due 04/03/2022 ~(a)	ARS	3,540	$ 91
50.950% (BADLARPP + 2.500%) due 03/11/2019 ~(a)		206	5
59.257% (ARLLMONP) due 06/21/2020 ~(a)		5,500	157
Total Argentina (Cost $498)			**253**
AUSTRALIA 0.7%			
CORPORATE BONDS & NOTES 0.3%			
Sydney Airport Finance Co. Pty. Ltd.			
3.900% due 03/22/2023	$	600	597
NON-AGENCY MORTGAGE-BACKED SECURITIES 0.1%			
Liberty Funding Pty. Ltd.			
3.432% due 01/25/2049 •	AUD	425	300
SOVEREIGN ISSUES 0.3%			
Queensland Treasury Corp.			
4.250% due 07/21/2023		800	611
Total Australia (Cost $1,723)			**1,508**
BERMUDA 0.8%			
ASSET-BACKED SECURITIES 0.8%			
Rise Ltd.			
4.750% due 02/15/2039 «~(i)	$	1,691	1,657
Total Bermuda (Cost $1,695)			**1,657**
BRAZIL 0.9%			
CORPORATE BONDS & NOTES 0.9%			
Petrobras Global Finance BV			
5.299% due 01/27/2025	$	531	508
5.999% due 01/27/2028		233	220
7.375% due 01/17/2027		1,000	1,030
Total Brazil (Cost $1,806)			**1,758**
CANADA 4.8%			
CORPORATE BONDS & NOTES 1.9%			
Air Canada Pass-Through Trust			
3.300% due 07/15/2031	$	100	96
Bank of Nova Scotia			
1.875% due 04/26/2021		900	879
Canadian Imperial Bank of Commerce			
3.150% due 06/27/2021		200	201
Enbridge, Inc.			
3.488% (US0003M + 0.700%) due 06/15/2020 ~		200	199
Fairfax Financial Holdings Ltd.			
2.750% due 03/29/2028	EUR	300	342
HSBC Bank Canada			
3.300% due 11/28/2021	$	500	506
Royal Bank of Canada			
2.300% due 03/22/2021		600	592
Toronto-Dominion Bank			
2.500% due 01/18/2022		1,100	1,088
			3,903
NON-AGENCY MORTGAGE-BACKED SECURITIES 0.4%			
Canadian Mortgage Pools			
2.259% due 06/01/2020	CAD	162	119
2.459% due 07/01/2020		510	375

		PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
2.459% due 08/01/2020	CAD	180	$ 132
Real Estate Asset Liquidity Trust			
3.072% due 08/12/2053		192	140
			766
SOVEREIGN ISSUES 2.5%			
Canadian Government Real Return Bond			
1.500% due 12/01/2044 (f)		232	199
Province of Alberta			
1.250% due 06/01/2020		1,100	797
2.350% due 06/01/2025		1,100	790
Province of Ontario			
2.400% due 06/02/2026		600	430
2.600% due 06/02/2025		3,900	2,852
			5,068
Total Canada (Cost $10,084)			**9,737**
CAYMAN ISLANDS 2.7%			
ASSET-BACKED SECURITIES 2.1%			
Evans Grove CLO Ltd.			
3.627% due 05/28/2028 •	$	100	99
Figueroa CLO Ltd.			
3.336% due 01/15/2027 •		500	500
Gallatin CLO Ltd.			
3.485% due 01/21/2028 •		300	299
Jamestown CLO Ltd.			
3.669% due 01/17/2027 •		1,153	1,152
Palmer Square Loan Funding Ltd.			
3.150% due 11/15/2026 •		500	498
Symphony CLO Ltd.			
3.466% due 10/15/2025 •		1,119	1,110
Venture CLO Ltd.			
3.316% due 04/15/2027 •		100	99
Wellfleet CLO Ltd.			
3.609% due 10/20/2027 •		500	500
			4,257
CORPORATE BONDS & NOTES 0.6%			
KSA Sukuk Ltd.			
2.894% due 04/20/2022		300	293
4.303% due 01/19/2029		500	498
Sands China Ltd.			
5.125% due 08/08/2025		200	198
5.400% due 08/08/2028		200	194
			1,183
Total Cayman Islands (Cost $5,470)			**5,440**
DENMARK 3.4%			
CORPORATE BONDS & NOTES 3.4%			
Jyske Realkredit A/S			
1.500% due 10/01/2037	DKK	1,600	247
2.000% due 10/01/2047		1,210	188
3.000% due 10/01/2047		5	1
Nordea Kredit Realkreditaktieselskab			
2.000% due 10/01/2047		7,252	1,122
2.000% due 10/01/2050		1,671	256
2.500% due 10/01/2037		643	105
Nykredit Realkredit A/S			
1.500% due 10/01/2037		2,200	340
2.000% due 10/01/2047		9,875	1,528
2.500% due 10/01/2036		150	24
2.500% due 10/01/2047		28	5
Realkredit Danmark A/S			
2.000% due 10/01/2047		18,314	2,837
2.500% due 07/01/2036		750	122
2.500% due 07/01/2047		79	13
Total Denmark (Cost $6,510)			**6,788**

		PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
FRANCE 4.7%			
CORPORATE BONDS & NOTES 1.1%			
Dexia Credit Local S.A.			
1.875% due 03/28/2019	$	700	$ 699
2.250% due 02/18/2020		250	249
2.375% due 09/20/2022		1,200	1,178
			2,126
SOVEREIGN ISSUES 3.6%			
France Government International Bond			
2.000% due 05/25/2048 (j)	EUR	4,100	5,103
3.250% due 05/25/2045 (j)		1,300	2,048
			7,151
Total France (Cost $8,461)			**9,277**
GERMANY 1.0%			
CORPORATE BONDS & NOTES 1.0%			
Deutsche Bank AG			
4.250% due 10/14/2021	$	1,100	1,076
Deutsche Pfandbriefbank AG			
1.625% due 08/30/2019		400	397
Landwirtschaftliche Rentenbank			
4.250% due 01/24/2023	AUD	200	151
5.375% due 04/23/2024	NZD	500	379
Total Germany (Cost $2,073)			**2,003**
GUERNSEY, CHANNEL ISLANDS 0.4%			
CORPORATE BONDS & NOTES 0.4%			
Credit Suisse Group Funding Guernsey Ltd.			
3.800% due 06/09/2023	$	600	589
Doric Nimrod Air Finance Alpha Ltd. Pass-Through Trust			
5.125% due 11/30/2024		211	219
Total Guernsey, Channel Islands (Cost $809)			**808**
INDONESIA 0.1%			
CORPORATE BONDS & NOTES 0.1%			
Indonesia Asahan Aluminium Persero PT			
5.230% due 11/15/2021	$	200	203
Total Indonesia (Cost $199)			**203**
IRELAND 1.2%			
ASSET-BACKED SECURITIES 0.6%			
CVC Cordatus Loan Fund Ltd.			
0.780% due 01/24/2028 •	EUR	600	687
Dorchester Park CLO DAC			
3.369% due 04/20/2028 •	$	600	595
			1,282
CORPORATE BONDS & NOTES 0.3%			
Shire Acquisitions Investments Ireland DAC			
1.900% due 09/23/2019		600	592
SOVEREIGN ISSUES 0.3%			
Ireland Government International Bond			
5.400% due 03/13/2025	EUR	400	599
Total Ireland (Cost $2,393)			**2,473**
ISRAEL 0.2%			
SOVEREIGN ISSUES 0.2%			
Israel Government International Bond			
3.250% due 01/17/2028	$	200	197
4.125% due 01/17/2048		200	196
Total Israel (Cost $397)			**393**

		PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
ITALY 1.0%			
CORPORATE BONDS & NOTES 0.4%			
Intesa Sanpaolo SpA			
7.750% due 01/11/2027 •(g)(h)	EUR	200	$ 241
UniCredit SpA			
7.830% due 12/04/2023	$	500	523
			764
SOVEREIGN ISSUES 0.6%			
Italy Buoni Poliennali Del Tesoro			
1.450% due 11/15/2024	EUR	400	443
2.500% due 11/15/2025		700	812
			1,255
Total Italy (Cost $2,097)			**2,019**
JAPAN 2.6%			
CORPORATE BONDS & NOTES 0.9%			
Chugoku Electric Power Co., Inc.			
2.701% due 03/16/2020	$	600	596
Mitsubishi UFJ Financial Group, Inc.			
2.950% due 03/01/2021		200	198
ORIX Corp.			
3.250% due 12/04/2024		100	97
Sumitomo Mitsui Financial Group, Inc.			
4.447% (US0003M + 1.680%) due 03/09/2021 ~		300	306
Suntory Holdings Ltd.			
2.550% due 09/29/2019		400	397
Takeda Pharmaceutical Co. Ltd.			
1.125% due 11/21/2022	EUR	200	231
			1,825
SOVEREIGN ISSUES 1.7%			
Development Bank of Japan, Inc.			
3.125% due 09/06/2023	$	500	504
Japan Bank for International Cooperation			
2.375% due 07/21/2022		200	197
2.375% due 11/16/2022		200	196
2.500% due 06/01/2022		200	197
3.250% due 07/20/2023		300	304
Japan Finance Organization for Municipalities			
2.125% due 04/13/2021		1,000	982
2.625% due 04/20/2022		600	593
Tokyo Metropolitan Government			
2.000% due 05/17/2021		500	489
			3,462
Total Japan (Cost $5,327)			**5,287**
KUWAIT 0.8%			
SOVEREIGN ISSUES 0.8%			
Kuwait International Government Bond			
3.500% due 03/20/2027	$	1,600	1,595
Total Kuwait (Cost $1,587)			**1,595**
LITHUANIA 0.2%			
SOVEREIGN ISSUES 0.2%			
Lithuania Government International Bond			
6.125% due 03/09/2021	$	400	424
Total Lithuania (Cost $422)			**424**
LUXEMBOURG 0.9%			
CORPORATE BONDS & NOTES 0.9%			
Emerald Bay S.A.			
0.000% due 10/08/2020 (d)	EUR	541	584
GELF Bond Issuer S.A.			
1.750% due 11/22/2021	EUR	700	$ 822
NORD/LB Luxembourg S.A. Covered Bond Bank			
2.875% due 02/16/2021	$	400	398
Total Luxembourg (Cost $1,792)			**1,804**
NETHERLANDS 3.7%			
ASSET-BACKED SECURITIES 0.5%			
Babson Euro CLO BV			
0.503% due 10/25/2029 •	EUR	500	568
Penta CLO BV			
0.790% due 08/04/2028 •		300	344
			912
CORPORATE BONDS & NOTES 3.2%			
BNG Bank NV			
4.550% due 02/15/2019	CAD	1,800	1,322
Cooperatieve Rabobank UA			
3.682% (US0003M + 0.860%) due 09/26/2023 ~	$	500	494
3.875% due 09/26/2023		600	603
6.875% due 03/19/2020 (h)	EUR	400	496
ING Bank NV			
2.625% due 12/05/2022	$	700	690
ING Groep NV			
3.797% (US0003M + 1.000%) due 10/02/2023 ~		700	693
4.100% due 10/02/2023		500	500
Mondelez International Holdings Netherlands BV			
2.000% due 10/28/2021		200	192
NXP BV			
4.125% due 06/15/2020		400	399
Stichting AK Rabobank Certificaten			
6.500% due 12/29/2049 (g)	EUR	100	124
Teva Pharmaceutical Finance Netherlands BV			
1.700% due 07/19/2019	$	900	888
			6,401
Total Netherlands (Cost $7,431)			**7,313**
NORWAY 0.4%			
CORPORATE BONDS & NOTES 0.3%			
DNB Boligkreditt A/S			
2.500% due 03/28/2022	$	600	591
SOVEREIGN ISSUES 0.1%			
Norway Government International Bond			
3.750% due 05/25/2021	NOK	1,600	197
Total Norway (Cost $824)			**788**
PERU 2.3%			
SOVEREIGN ISSUES 2.3%			
Peru Government International Bond			
5.940% due 02/12/2029	PEN	7,900	2,392
6.350% due 08/12/2028		6,800	2,122
Total Peru (Cost $4,433)			**4,514**
PORTUGAL 0.1%			
CORPORATE BONDS & NOTES 0.1%			
Banco Espirito Santo S.A.			
4.000% due 01/21/2019 ^(b)	EUR	400	133
Total Portugal (Cost $450)			**133**
QATAR 1.3%			
SOVEREIGN ISSUES 1.3%			
Qatar Government International Bond			
3.875% due 04/23/2023	$	1,600	1,621
4.500% due 01/20/2022	$	200	$ 206
4.500% due 04/23/2028		800	837
Total Qatar (Cost $2,597)			**2,664**
SAUDI ARABIA 2.0%			
SOVEREIGN ISSUES 2.0%			
Saudi Government International Bond			
2.375% due 10/26/2021	$	1,900	1,833
2.875% due 03/04/2023		200	192
3.250% due 10/26/2026		300	281
3.625% due 03/04/2028		400	379
4.000% due 04/17/2025		800	795
4.500% due 04/17/2030		600	598
Total Saudi Arabia (Cost $4,171)			**4,078**
SINGAPORE 0.2%			
CORPORATE BONDS & NOTES 0.2%			
BOC Aviation Ltd.			
3.500% due 09/18/2027	$	200	188
DBS Bank Ltd.			
3.300% due 11/27/2021		200	202
Total Singapore (Cost $400)			**390**
SLOVENIA 0.6%			
SOVEREIGN ISSUES 0.6%			
Slovenia Government International Bond			
4.125% due 02/18/2019	$	1,100	1,102
Total Slovenia (Cost $1,102)			**1,102**
SOUTH KOREA 0.1%			
CORPORATE BONDS & NOTES 0.1%			
Kookmin Bank			
2.125% due 10/21/2020	$	200	196
Total South Korea (Cost $198)			**196**
SPAIN 2.7%			
CORPORATE BONDS & NOTES 0.2%			
Banco Bilbao Vizcaya Argentaria S.A.			
6.750% due 02/18/2020 •(g)(h)	EUR	200	228
Telefonica Emisiones S.A.			
5.134% due 04/27/2020	$	200	204
			432
SOVEREIGN ISSUES 2.5%			
Autonomous Community of Andalusia			
4.850% due 03/17/2020	EUR	500	607
Autonomous Community of Catalonia			
4.220% due 04/26/2035		100	119
4.900% due 09/15/2021		200	247
4.950% due 02/11/2020		1,000	1,193
Autonomous Community of Madrid			
4.688% due 03/12/2020		500	606
Spain Government International Bond			
1.400% due 07/30/2028		2,000	2,289
2.150% due 10/31/2025		20	25
			5,086
Total Spain (Cost $5,586)			**5,518**
SUPRANATIONAL 0.5%			
CORPORATE BONDS & NOTES 0.5%			
European Investment Bank			
0.500% due 07/21/2023	AUD	600	383
6.500% due 08/07/2019		900	650
Total Supranational (Cost $1,134)			**1,033**

		PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
SWEDEN 5.5%			
CORPORATE BONDS & NOTES 5.5%			
Lansforsakringar Hypotek AB			
1.250% due 09/20/2023	SEK	10,200	$ 1,179
2.250% due 09/21/2022		11,000	1,320
Nordea Hypotek AB			
1.000% due 04/08/2022		17,200	1,982
Skandinaviska Enskilda Banken AB			
1.500% due 12/15/2021		3,000	351
Stadshypotek AB			
1.500% due 12/15/2021		13,000	1,520
4.500% due 09/21/2022		18,000	2,335
Sveriges Sakerstallda Obligationer AB			
1.250% due 06/15/2022		2,000	232
2.000% due 06/17/2026		4,000	475
Swedbank Hypotek AB			
1.000% due 09/15/2021		4,100	473
1.000% due 06/15/2022		9,900	1,141
Total Sweden (Cost $10,891)			**11,008**
SWITZERLAND 1.1%			
CORPORATE BONDS & NOTES 1.0%			
UBS AG			
2.200% due 06/08/2020	$	500	492
3.347% due 06/08/2020 •		700	700
7.625% due 08/17/2022 (h)		750	801
			1,993
SOVEREIGN ISSUES 0.1%			
Switzerland Government International Bond			
3.500% due 04/08/2033	CHF	100	151
Total Switzerland (Cost $2,197)			**2,144**
UNITED ARAB EMIRATES 0.6%			
SOVEREIGN ISSUES 0.6%			
Emirate of Abu Dhabi Government International Bond			
2.500% due 10/11/2022	$	700	681
3.125% due 10/11/2027		500	479
Total United Arab Emirates (Cost $1,196)			**1,160**
UNITED KINGDOM 8.9%			
CORPORATE BONDS & NOTES 5.5%			
Barclays Bank PLC			
7.625% due 11/21/2022 (h)	$	200	208
Barclays PLC			
4.046% (US0003M + 1.430%) due 02/15/2023 ~		200	192
4.728% (US0003M + 2.110%) due 08/10/2021 ~		400	403
6.500% due 09/15/2019 •(g)(h)	EUR	700	784
7.000% due 09/15/2019 •(g)(h)	GBP	300	375
7.750% due 09/15/2023 •(g)(h)	$	500	482
8.000% due 12/15/2020 •(g)(h)	EUR	700	852
British Telecommunications PLC			
2.350% due 02/14/2019	$	330	330
Co-operative Group Holdings Ltd.			
6.875% due 07/08/2020 Ø	GBP	200	266
HSBC Holdings PLC			
6.500% due 03/23/2028 •(g)(h)	$	300	273
Lloyds Bank PLC			
4.875% due 03/30/2027	GBP	600	926
Lloyds Banking Group PLC			
7.000% due 06/27/2019 •(g)(h)		600	767
7.875% due 06/27/2029 •(g)(h)		200	274
Natwest Markets PLC			
0.084% (EUR003M + 0.400%) due 03/02/2020 ~	EUR	100	114
0.625% due 03/02/2022		100	111
RAC Bond Co. PLC			
4.870% due 05/06/2046	GBP	200	$ 244
Reckitt Benckiser Treasury Services PLC			
3.384% (US0003M + 0.560%) due 06/24/2022 ~	$	300	295
Royal Bank of Scotland Group PLC			
2.500% due 03/22/2023	EUR	500	585
Santander UK Group Holdings PLC			
2.875% due 10/16/2020	$	900	886
2.875% due 08/05/2021		300	290
3.571% due 01/10/2023		200	192
6.750% due 06/24/2024 •(g)(h)	GBP	400	502
7.375% due 06/24/2022 •(g)(h)		200	257
Tesco PLC			
6.125% due 02/24/2022		83	117
Tesco Property Finance PLC			
5.801% due 10/13/2040		147	213
Virgin Media Secured Finance PLC			
5.000% due 04/15/2027		300	363
Virgin Money PLC			
2.250% due 04/21/2020		500	636
			10,937
NON-AGENCY MORTGAGE-BACKED SECURITIES 2.1%			
Eurohome UK Mortgages PLC			
1.056% due 06/15/2044 •		578	706
Eurosail PLC			
1.850% due 06/13/2045 •		528	662
Ripon Mortgages PLC			
1.689% due 08/20/2056 •		833	1,056
Stanlington PLC			
1.903% due 06/12/2046 •		728	920
Towd Point Mortgage Funding PLC			
2.089% due 02/20/2054 •		702	896
			4,240
		SHARES	
PREFERRED SECURITIES 0.1%			
Nationwide Building Society			
10.250% ~		1,360	242
		PRINCIPAL AMOUNT (000S)	
SOVEREIGN ISSUES 1.2%			
United Kingdom Gilt			
4.250% due 12/07/2040 (j)	$	1,300	2,401
Total United Kingdom (Cost $18,773)			**17,820**
UNITED STATES 56.1%			
ASSET-BACKED SECURITIES 3.7%			
Amortizing Residential Collateral Trust			
3.206% due 10/25/2031 •	$	1	1
Conseco Finance Securitizations Corp.			
7.490% due 07/01/2031 Ø		965	1,045
Countrywide Asset-Backed Certificates			
2.726% due 06/25/2047 •		1,000	954
2.906% due 08/25/2034 •		140	138
Credit-Based Asset Servicing & Securitization Trust			
2.566% due 11/25/2036 •		18	11
EMC Mortgage Loan Trust			
3.406% due 05/25/2043 •		79	79
Home Equity Mortgage Trust			
6.000% due 01/25/2037 ^Ø		161	82
JPMorgan Mortgage Acquisition Trust			
2.786% due 03/25/2047 •		1,632	1,456
Morgan Stanley ABS Capital, Inc. Trust			
2.616% due 03/25/2037 •		1,040	541
2.756% due 08/25/2036 •		2,500	1,599
NovaStar Mortgage Funding Trust			
2.636% due 03/25/2037 •	$	832	$ 622
Renaissance Home Equity Loan Trust			
5.294% due 01/25/2037 Ø		459	243
Securitized Asset-Backed Receivables LLC Trust			
2.556% due 12/25/2036 •		7	4
Soundview Home Loan Trust			
2.756% due 11/25/2036 •		600	552
Structured Asset Securities Corp. Mortgage Loan Trust			
3.849% due 04/25/2035 •		8	7
Terwin Mortgage Trust			
3.446% due 11/25/2033 •		13	13
Washington Mutual Asset-Backed Certificates Trust			
2.566% due 10/25/2036 •		40	19
			7,366
CORPORATE BONDS & NOTES 14.8%			
AIG Global Funding			
3.277% (US0003M + 0.480%) due 07/02/2020 ~		400	400
Allergan Sales LLC			
5.000% due 12/15/2021		200	206
Ally Financial, Inc.			
3.750% due 11/18/2019		200	200
American Tower Corp.			
3.400% due 02/15/2019		700	700
Anheuser-Busch InBev Finance, Inc.			
3.300% due 02/01/2023		200	195
Arrow Electronics, Inc.			
3.500% due 04/01/2022		400	395
AT&T, Inc.			
1.800% due 09/05/2026	EUR	500	570
3.086% (US0003M + 0.650%) due 01/15/2020 ~	$	900	899
3.386% (US0003M + 0.950%) due 07/15/2021 ~		900	897
Bank of America Corp.			
5.875% due 03/15/2028 •(g)		300	274
BAT Capital Corp.			
3.204% due 08/14/2020 •		300	297
3.557% due 08/15/2027		400	356
Baxalta, Inc.			
2.875% due 06/23/2020		179	177
Bayer U.S. Finance LLC			
3.798% (US0003M + 1.010%) due 12/15/2023 ~		300	287
4.250% due 12/15/2025		200	195
BMW U.S. Capital LLC			
2.984% (US0003M + 0.370%) due 08/14/2020 ~		500	496
Boston Scientific Corp.			
2.850% due 05/15/2020		200	199
Campbell Soup Co.			
3.300% due 03/15/2021		100	100
3.650% due 03/15/2023		100	98
Cardinal Health, Inc.			
1.948% due 06/14/2019		500	497
Cboe Global Markets, Inc.			
1.950% due 06/28/2019		200	199
CenterPoint Energy Resources Corp.			
3.550% due 04/01/2023		100	100
Charter Communications Operating LLC			
4.464% due 07/23/2022		900	909
6.384% due 10/23/2035		600	618
Citigroup, Inc.			
3.696% (US0003M + 0.930%) due 06/07/2019 ~		600	601
Citizens Bank N.A.			
3.259% (US0003M + 0.570%) due 05/26/2020 ~		600	599
Comcast Corp.			
3.127% (US0003M + 0.330%) due 10/01/2020 ~		200	199

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Continental Resources, Inc.		
4.375% due 01/15/2028	$ 100	$ 94
CVS Health Corp.		
3.700% due 03/09/2023	100	99
4.100% due 03/25/2025	100	99
4.300% due 03/25/2028	200	196
Dell International LLC		
3.480% due 06/01/2019	1,300	1,296
Dominion Energy Gas Holdings LLC		
3.388% (US0003M + 0.600%) due 06/15/2021 ~	200	200
eBay, Inc.		
2.150% due 06/05/2020	400	395
Emera U.S. Finance LP		
2.150% due 06/15/2019	500	496
EPR Properties		
4.500% due 06/01/2027	300	290
Equifax, Inc.		
3.486% (US0003M + 0.870%) due 08/15/2021 ~	100	99
Equinix, Inc.		
2.875% due 03/15/2024	EUR 200	229
ERAC USA Finance LLC		
5.250% due 10/01/2020	$ 500	516
Ford Motor Credit Co. LLC		
0.054% due 12/01/2021 •	EUR 800	856
0.114% due 05/14/2021 •	100	110
2.375% due 03/12/2019	$ 200	200
3.408% (US0003M + 1.000%) due 01/09/2020 ~	400	396
Fortune Brands Home & Security, Inc.		
4.000% due 09/21/2023	200	198
General Motors Financial Co., Inc.		
3.100% due 01/15/2019	300	300
3.550% due 04/09/2021	100	99
GLP Capital LP		
5.300% due 01/15/2029	400	393
Harley-Davidson Financial Services, Inc.		
3.647% (US0003M + 0.940%) due 03/02/2021 ~	200	200
Harris Corp.		
3.000% (US0003M + 0.480%) due 04/30/2020 ~	300	299
HCA, Inc.		
5.625% due 09/01/2028	600	580
International Lease Finance Corp.		
6.250% due 05/15/2019	800	807
8.250% due 12/15/2020	300	323
JPMorgan Chase Bank N.A.		
3.086% due 04/26/2021 •	300	299
Kinder Morgan Energy Partners LP		
6.500% due 04/01/2020	100	104
6.850% due 02/15/2020	1,100	1,139
McDonald's Corp.		
2.939% (US0003M + 0.430%) due 10/28/2021 ~	100	99
Molson Coors Brewing Co.		
2.100% due 07/15/2021	300	289
Morgan Stanley		
3.168% (US0003M + 0.550%) due 02/10/2021 ~	100	99
3.414% (US0003M + 0.800%) due 02/14/2020 ~	600	600
Navient Corp.		
8.000% due 03/25/2020	100	102
NextEra Energy Capital Holdings, Inc.		
3.053% (US0003M + 0.315%) due 09/03/2019 ~	600	599
3.107% (US0003M + 0.400%) due 08/21/2020 ~	200	200
Sempra Energy		
3.238% (US0003M + 0.450%) due 03/15/2021 ~	200	196
Spectra Energy Partners LP		
3.451% (US0003M + 0.700%) due 06/05/2020 ~	$ 100	$ 99
Spirit AeroSystems, Inc.		
3.588% (US0003M + 0.800%) due 06/15/2021 ~	100	99
Sprint Spectrum Co. LLC		
3.360% due 03/20/2023	413	408
4.738% due 09/20/2029	200	197
Textron, Inc.		
3.168% (US0003M + 0.550%) due 11/10/2020 ~	400	397
Time Warner Cable LLC		
8.250% due 04/01/2019	500	506
United Technologies Corp.		
3.950% due 08/16/2025	200	199
4.125% due 11/16/2028	200	199
4.625% due 11/16/2048	100	97
Verizon Communications, Inc.		
3.376% due 02/15/2025	424	412
4.329% due 09/21/2028	805	810
Volkswagen Group of America Finance LLC		
2.125% due 05/23/2019	500	498
3.388% (US0003M + 0.770%) due 11/13/2020 ~	200	199
3.558% (US0003M + 0.940%) due 11/12/2021 ~	300	297
WEA Finance LLC		
3.750% due 09/17/2024	200	199
Wells Fargo & Co.		
3.597% (US0003M + 1.110%) due 01/24/2023 ~	600	595
Wells Fargo Bank N.A.		
3.550% due 08/14/2023	500	498
Zimmer Biomet Holdings, Inc.		
2.700% due 04/01/2020	100	99
3.150% due 04/01/2022	400	391
3.375% due 11/30/2021	300	297
		29,655
LOAN PARTICIPATIONS AND ASSIGNMENTS 0.4%		
CenturyLink, Inc.		
5.272% (LIBOR03M + 2.750%) due 01/31/2025 ~	297	278
Las Vegas Sands LLC		
4.272% (LIBOR03M + 1.750%) due 03/27/2025 ~	488	467
		745
MUNICIPAL BONDS & NOTES 1.0%		
Tobacco Settlement Finance Authority, West Virginia Revenue Bonds, Series 2007		
7.467% due 06/01/2047	2,055	2,018
NON-AGENCY MORTGAGE-BACKED SECURITIES 6.0%		
Adjustable Rate Mortgage Trust		
4.156% due 09/25/2035 ^~	10	9
American Home Mortgage Assets Trust		
2.696% (US0001M + 0.190%) due 05/25/2046 ^~	235	216
2.716% due 10/25/2046 •	406	292
Banc of America Alternative Loan Trust		
6.500% due 04/25/2036 ^	580	532
Banc of America Funding Trust		
4.631% due 02/20/2036 ~	122	121
5.500% due 01/25/2036	161	137
6.020% due 10/20/2046 ^~	88	69
BCAP LLC Trust		
2.676% due 01/25/2037 ^•	201	188
5.250% due 04/26/2037	769	639
Bear Stearns Adjustable Rate Mortgage Trust		
3.123% due 05/25/2034 ~	6	5
3.961% due 05/25/2047 ^~	$ 192	$ 178
4.157% due 08/25/2033 ~	8	8
4.271% due 05/25/2034 ~	17	16
4.486% due 10/25/2033 ~	6	6
4.715% due 11/25/2034 ~	3	3
Bear Stearns ALT-A Trust		
3.867% due 08/25/2036 ^~	151	100
4.144% due 11/25/2035 ^~	109	94
4.209% due 09/25/2035 ^~	99	83
Bear Stearns Structured Products, Inc. Trust		
5.425% due 12/26/2046 ^~	78	73
Chase Mortgage Finance Trust		
3.614% due 07/25/2037 ~	25	22
Chevy Chase Funding LLC Mortgage-Backed Certificates		
2.686% due 07/25/2036 •	44	43
Citigroup Mortgage Loan Trust		
4.280% due 10/25/2035 ^•	472	477
Citigroup Mortgage Loan Trust, Inc.		
4.240% due 09/25/2035 •	18	19
Countrywide Alternative Loan Trust		
2.665% due 12/20/2046 ^•	333	294
2.676% due 01/25/2037 ^•	149	145
2.680% due 03/20/2046 •	104	95
2.680% due 07/20/2046 ^•	203	155
2.786% due 02/25/2037 •	120	109
2.856% due 05/25/2037 ^•	52	30
2.923% due 11/25/2035 •	24	22
3.463% due 11/25/2035 •	24	22
4.118% due 11/25/2035 ^~	214	194
5.250% due 06/25/2035 ^	16	14
6.000% due 04/25/2037 ^	52	36
6.250% due 08/25/2037 ^	26	22
6.500% due 06/25/2036 ^	133	100
Countrywide Home Loan Mortgage Pass-Through Trust		
2.776% due 04/25/2046 •	1,145	529
2.966% due 05/25/2035 •	56	51
3.086% due 04/25/2035 •	12	11
3.106% due 03/25/2035 •	425	393
3.126% due 02/25/2035 •	531	507
3.146% due 03/25/2035 •	63	57
3.166% due 02/25/2035 •	6	6
3.234% due 05/25/2047 ~	91	80
3.266% due 09/25/2034 •	5	5
3.910% due 08/25/2034 ^~	3	3
4.290% due 11/25/2034 ~	13	12
4.587% due 11/19/2033 ~	6	7
4.667% due 02/20/2036 ^•	271	247
5.500% due 10/25/2035	70	62
Credit Suisse First Boston Mortgage Securities Corp.		
6.500% due 04/25/2033	1	1
Credit Suisse Mortgage Capital Trust		
6.500% due 07/26/2036 ^	116	59
Deutsche ALT-B Securities, Inc. Mortgage Loan Trust		
5.886% due 10/25/2036 ^Ø	207	192
GreenPoint Mortgage Funding Trust		
3.046% due 11/25/2045 •	8	7
GSR Mortgage Loan Trust		
3.605% due 06/25/2034 ~	3	3
3.830% due 03/25/2033 •	5	5
4.300% due 09/25/2035 ~	102	104
HarborView Mortgage Loan Trust		
3.007% due 12/19/2036 ^•	129	125
IndyMac Mortgage Loan Trust		
3.874% due 09/25/2035 ^~	159	147
JPMorgan Mortgage Trust		
4.115% due 11/25/2033 ~	5	5
4.216% due 01/25/2037 ^~	178	171
4.336% due 02/25/2035 ~	5	4
Luminent Mortgage Trust		
2.746% due 04/25/2036 •	361	312
MASTR Adjustable Rate Mortgages Trust		
4.131% due 05/25/2034 ~	377	374
MASTR Alternative Loan Trust		
2.906% due 03/25/2036 ^•	45	8
Mellon Residential Funding Corp. Mortgage Pass-Through Trust		
2.895% due 12/15/2030 •	5	5

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Merrill Lynch Mortgage Investors Trust		
2.716% due 02/25/2036 •	$ 69	$ 66
4.302% due 02/25/2033 ~	10	10
4.324% due 02/25/2036 ~	31	31
Merrill Lynch Mortgage-Backed Securities Trust		
3.851% due 04/25/2037 ^~	6	5
Nomura Asset Acceptance Corp. Alternative Loan Trust		
3.961% due 10/25/2035 ~	12	12
OBX Trust		
3.156% due 06/25/2057 •	448	445
Residential Accredit Loans, Inc. Trust		
2.716% due 04/25/2046 •	150	69
6.000% due 12/25/2036 ^	323	295
Residential Funding Mortgage Securities, Inc. Trust		
5.500% due 11/25/2035 ^	80	74
Structured Adjustable Rate Mortgage Loan Trust		
4.232% due 02/25/2034 ~	8	8
4.369% due 04/25/2034 ~	15	15
4.385% due 09/25/2034 ~	11	12
Structured Asset Mortgage Investments Trust		
2.696% due 07/25/2046 ^•	322	267
2.716% due 05/25/2036 •	81	75
2.720% due 07/19/2035 •	117	116
2.726% due 05/25/2036 •	372	336
2.726% due 09/25/2047 •	365	345
2.786% due 02/25/2036 ^•	406	385
3.050% due 07/19/2034 •	2	2
3.170% due 03/19/2034 •	4	4
Structured Asset Securities Corp.		
2.786% due 01/25/2036 •	109	101
SunTrust Alternative Loan Trust		
3.156% due 12/25/2035 ^•	629	515
WaMu Mortgage Pass-Through Certificates Trust		
2.579% due 07/25/2046 •	151	148
2.776% due 12/25/2045 •	32	32
2.816% due 01/25/2045 •	5	5
2.857% due 02/25/2047 ^•	289	272
3.030% due 01/25/2037 ^~	23	21
3.146% due 01/25/2045 •	5	5
3.525% due 06/25/2037 ^~	54	50
3.557% due 08/25/2042 •	4	3
3.645% due 12/25/2036 ^~	30	29
3.676% due 12/25/2036 ^~	4	4
3.770% due 03/25/2034 ~	19	20
3.793% due 02/25/2033 ~	59	59
3.994% due 09/25/2036 ~	74	73
4.079% due 06/25/2033 ~	5	5
Washington Mutual Mortgage Pass-Through Certificates Trust		
3.097% due 07/25/2046 ^•	48	35
Wells Fargo Mortgage-Backed Securities Trust		
4.561% due 04/25/2036 ~	4	4
		12,013

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
U.S. GOVERNMENT AGENCIES 22.4%		
Fannie Mae		
2.626% due 03/25/2034 •	$ 3	$ 3
2.656% due 08/25/2034 •	2	2
2.906% due 06/25/2036 •	21	21
3.000% due 08/01/2042 - 08/01/2043	220	217
4.035% due 10/01/2034 •	1	1
4.270% due 12/01/2034 •	3	3
4.490% due 11/01/2034 •	23	24
6.000% due 07/25/2044	18	20
Fannie Mae, TBA		
3.500% due 01/01/2049 - 02/01/2049	30,900	30,895
4.000% due 01/01/2049	4,400	4,487
Freddie Mac		
1.567% due 01/15/2038 ~(a)	302	16
2.649% due 01/15/2038 •	302	300
2.786% due 09/25/2031 •	15	14
3.000% due 03/01/2045	693	679
3.357% due 10/25/2044 •	31	31
3.500% due 07/01/2048	4,933	4,935
3.997% due 04/01/2037 •	24	26
4.226% due 02/01/2029 •	2	2
6.000% due 04/15/2036	236	263
Freddie Mac, TBA		
3.000% due 01/01/2049	3,000	2,924
Ginnie Mae		
3.125% (H15T1Y + 1.500%) due 11/20/2024 ~	1	1
6.000% due 09/20/2038	4	4
		44,868
U.S. TREASURY OBLIGATIONS 7.8%		
U.S. Treasury Bonds		
2.875% due 05/15/2043 (n)	100	98
3.125% due 02/15/2043	100	102
U.S. Treasury Inflation Protected Securities (f)		
0.125% due 04/15/2022 (j)	1,248	1,208
0.125% due 07/15/2024 (l)	799	766
0.500% due 01/15/2028 (j)	2,153	2,056
1.000% due 02/15/2048 (j)	718	682
1.375% due 02/15/2044 (n)	326	337
1.750% due 01/15/2028 (j)	2,414	2,566
2.500% due 01/15/2029 (j)	2,108	2,402
3.875% due 04/15/2029 (j)	708	901
U.S. Treasury Notes		
2.625% due 06/15/2021 (n)	200	201
2.875% due 04/30/2025 (j)(n)	4,300	4,376
		15,695
Total United States (Cost $109,268)		**112,360**

		PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
SHORT-TERM INSTRUMENTS 11.3%			
ARGENTINA TREASURY BILLS 0.1%			
(1.557)% due 02/28/2019 - 04/30/2019 (c)(d)	ARS	6,058	$ 167
FRANCE TREASURY BILLS 5.8%			
(0.633)% due 01/04/2019 - 01/16/2019 (c)(d)	EUR	10,200	11,690
JAPAN TREASURY BILLS 4.3%			
(0.159)% due 03/11/2019 (c)(d)	JPY	940,000	8,578
NETHERLANDS TREASURY BILLS 0.6%			
(0.639)% due 01/31/2019 (d)(e)	EUR	1,000	1,147
NIGERIA TREASURY BILLS 0.5%			
12.144% due 04/04/2019 (d)(e)	NGN	350,000	931
Total Short-Term Instruments (Cost $22,546)			**22,513**
Total Investments in Securities (Cost $246,540)			**248,161**
		SHARES	
INVESTMENTS IN AFFILIATES 1.7%			
SHORT-TERM INSTRUMENTS 1.7%			
CENTRAL FUNDS USED FOR CASH MANAGEMENT PURPOSES 1.7%			
PIMCO Short Asset Portfolio		339,863	3,372
PIMCO Short-Term Floating NAV Portfolio III		1,310	13
Total Short-Term Instruments (Cost $3,418)			**3,385**
Total Investments in Affiliates (Cost $3,418)			**3,385**
Total Investments 125.6% (Cost $249,958)			**$ 251,546**
Financial Derivative Instruments (k)(m) (0.7)% (Cost or Premiums, net $1,401)			**(1,326)**
Other Assets and Liabilities, net (24.9)%			**(49,882)**
Net Assets 100.0%			**$ 200,338**

NOTES TO SCHEDULE OF INVESTMENTS:

- * A zero balance may reflect actual amounts rounding to less than one thousand.
- ^ Security is in default.
- « Security valued using significant unobservable inputs (Level 3).
- ~ Variable or Floating rate security. Rate shown is the rate in effect as of period end. Certain variable rate securities are not based on a published reference rate and spread, rather are determined by the issuer or agent and are based on current market conditions. Reference rate is as of reset date, which may vary by security. These securities may not indicate a reference rate and/or spread in their description.
- • Rate shown is the rate in effect as of period end. The rate may be based on a fixed rate, a capped rate or a floor rate and may convert to a variable or floating rate in the future. These securities do not indicate a reference rate and spread in their description.
- Ø Coupon represents a rate which changes periodically based on a predetermined schedule or event. Rate shown is the rate in effect as of period end.
- (a) Interest only security.
- (b) Security is not accruing income as of the date of this report.
- (c) Coupon represents a weighted average yield to maturity.
- (d) Zero coupon security.
- (e) Coupon represents a yield to maturity.
- (f) Principal amount of security is adjusted for inflation.
- (g) Perpetual maturity; date shown, if applicable, represents next contractual call date.
- (h) Contingent convertible security.

(i) RESTRICTED SECURITIES:

Issuer Description	Coupon	Maturity Date	Acquisition Date	Cost	Market Value	Market Value as Percentage of Net Assets
Rise Ltd.	4.750%	02/15/2039	02/11/2014	$ 1,695	$ 1,657	0.83%

BORROWINGS AND OTHER FINANCING TRANSACTIONS

REVERSE REPURCHASE AGREEMENTS:

Counterparty	Borrowing Rate[(1)]	Settlement Date	Maturity Date	Amount Borrowed[(1)]	Payable for Reverse Repurchase Agreements
BOM	2.550%	11/05/2018	02/04/2019	$ (3,251)	$ (3,264)
GRE	2.540	11/13/2018	02/13/2019	(1,716)	(1,722)
IND	0.830	10/04/2018	01/15/2019	GBP (1,868)	(2,386)
	2.550	11/14/2018	01/14/2019	$ (2,545)	(2,554)
	2.570	11/20/2018	01/22/2019	(2,042)	(2,048)
	2.610	12/10/2018	03/08/2019	(2,993)	(2,998)
SCX	(0.450)	10/18/2018	01/22/2019	EUR (3,182)	(3,642)
Total Reverse Repurchase Agreements					**$ (18,614)**

SALE-BUYBACK TRANSACTIONS:

Counterparty	Borrowing Rate[(1)]	Borrowing Date	Maturity Date	Amount Borrowed[(1)]	Payable for Sale-Buyback Transactions
TDM	1.970%	12/10/2018	01/07/2019	CAD (588)	$ (439)
Total Sale-Buyback Transactions					**$ (439)**

SHORT SALES:

Description	Coupon	Maturity Date	Principal Amount	Proceeds	Payable for Short Sales[(2)]
Canada (0.7)%					
Sovereign Issues (0.7)%					
Canada Government Bond	2.750%	12/01/2048	CAD 1,800	$ (1,502)	$ (1,488)
Total Short Sales (0.7)%				**$ (1,502)**	**$ (1,488)**

BORROWINGS AND OTHER FINANCING TRANSACTIONS SUMMARY

The following is a summary by counterparty of the market value of Borrowings and Other Financing Transactions and collateral pledged/(received) as of December 31, 2018:

Counterparty	Repurchase Agreement Proceeds to be Received	Payable for Reverse Repurchase Agreements	Payable for Sale-Buyback Transactions	Payable for Short Sales[(2)]	Total Borrowings and Other Financing Transactions	Collateral Pledged/(Received)	Net Exposure[(3)]
Global/Master Repurchase Agreement							
BOM	$ 0	$ (3,264)	$ 0	$ 0	$ (3,264)	$3,351	$ 87
GRE	0	(1,722)	0	0	(1,722)	1,731	9
IND	0	(9,986)	0	0	(9,986)	9,915	(71)
SCX	0	(3,642)	0	0	(3,642)	3,691	49
Master Securities Forward Transaction Agreement							
TDM	0	0	(439)	(1,488)	(1,927)	430	(1,497)
Total Borrowings and Other Financing Transactions	**$ 0**	**$ (18,614)**	**$ (439)**	**$ (1,488)**			

CERTAIN TRANSFERS ACCOUNTED FOR AS SECURED BORROWINGS

Remaining Contractual Maturity of the Agreements

	Overnight and Continuous	Up to 30 days	31-90 days	Greater Than 90 days	Total
Reverse Repurchase Agreements					
Sovereign Issues	$ 0	$ (6,028)	$ 0	$ 0	$ (6,028)
U.S. Treasury Obligations	0	(4,602)	(7,984)	0	(12,586)
Total	**$ 0**	**$ (10,630)**	**$ (7,984)**	**$ 0**	**$ (18,614)**

	Overnight and Continuous	Up to 30 days	31-90 days	Greater Than 90 days	Total
Sale-Buyback Transactions					
Sovereign Issues	$ 0	$ (439)	$ 0	$ 0	$ (439)
Total	**$ 0**	**$ (439)**	**$ 0**	**$ 0**	**$ (439)**
Total Borrowings	**$ 0**	**$ (11,069)**	**$ (7,984)**	**$ 0**	**$ (19,053)**
Payable for reverse repurchase agreements and sale-buyback financing transactions					**$ (19,053)**

(j) Securities with an aggregate market value of $19,688 have been pledged as collateral under the terms of the above master agreements as of December 31, 2018.

(1) The average amount of borrowings outstanding during the period ended December 31, 2018 was $(10,677) at a weighted average interest rate of 1.391%. Average borrowings may include sale-buyback transactions and reverse repurchase agreements, if held during the period.

(2) Payable for short sales includes $6 of accrued interest.

(3) Net Exposure represents the net receivable/(payable) that would be due from/to the counterparty in the event of default. Exposure from borrowings and other financing transactions can only be netted across transactions governed under the same master agreement with the same legal entity. See Note 8, Master Netting Arrangements, in the Notes to Financial Statements for more information regarding master netting arrangements.

(k) FINANCIAL DERIVATIVE INSTRUMENTS: EXCHANGE-TRADED OR CENTRALLY CLEARED

PURCHASED OPTIONS:

OPTIONS ON EXCHANGE-TRADED FUTURES CONTRACTS

Description	Strike Price	Expiration Date	# of Contracts	Notional Amount	Cost	Market Value
Call - CBOT U.S. Treasury 10-Year Note March 2019 Futures	$ 130.000	02/22/2019	17	$ 17	$ 0	$ 1
Call - CBOT U.S. Treasury 10-Year Note March 2019 Futures	131.000	02/22/2019	3	3	0	0
Call - CBOT U.S. Treasury 10-Year Note March 2019 Futures	131.500	02/22/2019	116	116	1	2
Put - CBOT U.S. Treasury 5-Year Note March 2019 Futures	104.000	02/22/2019	93	93	1	0
Put - CBOT U.S. Treasury 5-Year Note March 2019 Futures	106.000	02/22/2019	59	59	1	0
Put - CBOT U.S. Treasury 5-Year Note March 2019 Futures	106.500	02/22/2019	310	310	2	0
Put - CBOT U.S. Treasury Ultra Long-Term Bond March 2019 Futures	100.000	02/22/2019	36	36	0	0
Total Purchased Options					**$ 5**	**$ 3**

FUTURES CONTRACTS:

LONG FUTURES CONTRACTS

Description	Expiration Month	# of Contracts	Notional Amount	Unrealized Appreciation/ (Depreciation)	Variation Margin Asset	Variation Margin Liability
3-Month Euribor March Futures	03/2019	143	$ 41,081	$ 2	$ 0	$ (2)
90-Day Eurodollar March Futures	03/2019	924	224,740	81	0	0
Australia Government 3-Year Note March Futures	03/2019	240	18,969	68	24	0
Australia Government 10-Year Bond March Futures	03/2019	63	5,887	57	28	0
Call Options Strike @ EUR 159.000 on Euro-BTP Italy Government Bond March 2019 Futures	02/2019	46	1	0	0	0
Call Options Strike @ EUR 165.000 on Euro-OAT France Government 10-Year Bond March 2019 Futures	02/2019	312	4	0	0	0
Call Options Strike @ EUR 178.000 on Euro-Bund 10-Year Bond March 2019 Futures	02/2019	14	0	0	0	0
Euro-Bobl March Futures	03/2019	183	27,786	64	0	(6)
Euro-Buxl 30-Year Bond March Futures	03/2019	6	1,242	28	0	(6)
Put Options Strike @ EUR 127.250 on Euro-Bobl March 2019 Futures	02/2019	186	1	0	0	0
Put Options Strike @ EUR 128.500 on Euro-Bobl March 2019 Futures	02/2019	59	0	0	0	0
U.S. Treasury 5-Year Note March Futures	03/2019	462	52,986	559	115	0
U.S. Treasury Ultra Long-Term Bond March Futures	03/2019	36	5,784	301	21	0
United Kingdom 90-Day LIBOR Sterling Interest Rate September Futures	09/2019	342	53,914	50	3	(8)
				$ 1,210	$ 191	$ (22)

SHORT FUTURES CONTRACTS

Description	Expiration Month	# of Contracts	Notional Amount	Unrealized Appreciation/ (Depreciation)	Variation Margin Asset	Variation Margin Liability
90-Day Eurodollar December Futures	12/2019	237	$ (57,680)	$ (125)	$ 0	$ (6)
90-Day Eurodollar December Futures	12/2020	285	(69,490)	(563)	0	(25)
90-Day Eurodollar March Futures	03/2020	402	(97,932)	(247)	0	(20)
Call Options Strike @ EUR 133.000 on Euro-Bobl March 2019 Futures	02/2019	28	(7)	(1)	1	0
Call Options Strike @ EUR 164.500 on Euro-Bund 10-Year Bond March 2019 Futures	02/2019	13	(10)	(3)	2	0

Description	Expiration Month	# of Contracts	Notional Amount	Unrealized Appreciation/ (Depreciation)	Variation Margin Asset	Variation Margin Liability
Canada Government 10-Year Bond March Futures	03/2019	4	$ (401)	$ (12)	$ 0	$ 0
Euro-BTP Italy Government Bond March Futures	03/2019	93	(13,620)	(334)	0	(7)
Euro-Bund 10-Year Bond March Futures	03/2019	11	(2,061)	(14)	2	0
Euro-OAT France Government 10-Year Bond March Futures	03/2019	267	(46,132)	(215)	64	0
Put Options Strike @ EUR 131.250 on Euro-Bobl March 2019 Futures	02/2019	28	(2)	3	0	0
Put Options Strike @ EUR 160.000 on Euro-Bund 10-Year Bond March 2019 Futures	02/2019	13	(3)	3	0	0
U.S. Treasury 10-Year Note March Futures	03/2019	111	(13,544)	(324)	0	(43)
United Kingdom 90-Day LIBOR Sterling Interest Rate September Futures	09/2020	342	(53,833)	(108)	3	(16)
United Kingdom Long Gilt March Futures	03/2019	160	(25,119)	(168)	27	(82)
				$ (2,108)	$ 99	$ (199)
Total Futures Contracts				**$ (898)**	**$ 290**	**$ (221)**

SWAP AGREEMENTS:

CREDIT DEFAULT SWAPS ON CORPORATE ISSUES - BUY PROTECTION[1]

Reference Entity	Fixed (Pay) Rate	Payment Frequency	Maturity Date	Implied Credit Spread at December 31, 2018[3]	Notional Amount[4]	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Market Value[5]	Variation Margin Asset	Variation Margin Liability
BASF SE	(1.000)%	Quarterly	12/20/2020	0.229%	EUR 200	$ (6)	$ 2	$ (4)	$ 0	$ 0
Reynolds American, Inc.	(1.000)	Quarterly	12/20/2020	0.283	$ 700	(19)	9	(10)	0	0
United Utilities PLC	(1.000)	Quarterly	12/20/2020	0.292	EUR 200	(4)	1	(3)	0	0
						$ (29)	$ 12	$ (17)	$ 0	$ 0

CREDIT DEFAULT SWAPS ON CORPORATE ISSUES - SELL PROTECTION[2]

Reference Entity	Fixed Receive Rate	Payment Frequency	Maturity Date	Implied Credit Spread at December 31, 2018[3]	Notional Amount[4]	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Market Value[5]	Variation Margin Asset	Variation Margin Liability
Daimler AG	1.000%	Quarterly	12/20/2020	0.442%	EUR 100	$ 2	$ (1)	$ 1	$ 0	$ 0
Deutsche Bank AG	1.000	Quarterly	12/20/2019	1.450	100	(1)	1	0	0	0
Shell International Finance BV	1.000	Quarterly	12/20/2026	0.843	200	(3)	6	3	0	0
Tesco PLC	1.000	Quarterly	06/20/2025	2.005	400	(13)	(15)	(28)	0	(1)
						$ (15)	$ (9)	$ (24)	$ 0	$ (1)

CREDIT DEFAULT SWAPS ON CREDIT INDICES - BUY PROTECTION[1]

Index/Tranches	Fixed (Pay) Rate	Payment Frequency	Maturity Date	Notional Amount[4]	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Market Value[5]	Variation Margin Asset	Variation Margin Liability
CDX.HY-31 5-Year Index	(5.000)%	Quarterly	12/20/2023	$ 1,200	$ (88)	$ 62	$ (26)	$ 0	$ (2)
iTraxx Europe Main 28 5-Year Index	(1.000)	Quarterly	12/20/2022	EUR 6,400	(199)	101	(98)	0	(13)
iTraxx Europe Senior 30 5-Year Index	(1.000)	Quarterly	12/20/2023	3,700	9	9	18	0	(13)
					$ (278)	$ 172	$ (106)	$ 0	$ (28)

CREDIT DEFAULT SWAPS ON CREDIT INDICES - SELL PROTECTION[2]

Index/Tranches	Fixed Receive Rate	Payment Frequency	Maturity Date	Notional Amount[4]	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Market Value[5]	Variation Margin Asset	Variation Margin Liability
CDX.EM-28 5-Year Index	1.000%	Quarterly	12/20/2022	$ 2,231	$ (9)	$ (46)	$ (55)	$ 2	$ 0
CDX.EM-29 5-Year Index	1.000	Quarterly	06/20/2023	1,400	(26)	(25)	(51)	1	0
CDX.EM-30 5-Year Index	1.000	Quarterly	12/20/2023	8,600	(405)	3	(402)	6	0
					$ (440)	$ (68)	$ (508)	$ 9	$ 0

INTEREST RATE SWAPS - BASIS SWAPS

Pay Floating Rate Index	Receive Floating Rate Index	Payment Frequency	Maturity Date	Notional Amount	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Market Value	Variation Margin Asset	Variation Margin Liability
3-Month USD-LIBOR[6]	1-Month USD-LIBOR + 0.117%	Quarterly	03/02/2020	$ 3,400	$ 0	$ 1	$ 1	$ 0	$ 0
3-Month USD-LIBOR[6]	1-Month USD-LIBOR + 0.084%	Quarterly	04/26/2022	12,800	0	(2)	(2)	0	(1)
3-Month USD-LIBOR	1-Month USD-LIBOR + 0.084%	Quarterly	06/12/2022	2,900	0	3	3	0	0
3-Month USD-LIBOR	1-Month USD-LIBOR + 0.070%	Quarterly	06/12/2022	2,000	0	3	3	0	0
3-Month USD-LIBOR	1-Month USD-LIBOR + 0.085%	Quarterly	06/19/2022	10,400	1	9	10	1	0
3-Month USD-LIBOR[6]	1-Month USD-LIBOR + 0.073%	Quarterly	04/27/2023	6,300	0	0	0	0	0
					$ 1	$ 14	$ 15	$ 1	$ (1)

INTEREST RATE SWAPS

Pay/Receive Floating Rate	Floating Rate Index	Fixed Rate	Payment Frequency	Maturity Date	Notional Amount	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Market Value	Variation Margin Asset	Variation Margin Liability
Receive	1-Day USD-Federal Funds Rate Compounded-OIS	2.673%	Annual	04/30/2025	$ 500	$ 0	$ (13)	$ (13)	$ 0	$ (1)
Receive	1-Day USD-Federal Funds Rate Compounded-OIS	2.683	Annual	04/30/2025	1,500	1	(41)	(40)	0	(4)
Receive	1-Day USD-Federal Funds Rate Compounded-OIS	2.684	Annual	04/30/2025	400	0	(11)	(11)	0	(1)
Receive	1-Day USD-Federal Funds Rate Compounded-OIS	2.696	Annual	04/30/2025	500	0	(14)	(14)	0	(1)
Receive	1-Day USD-Federal Funds Rate Compounded-OIS	2.710	Annual	04/30/2025	500	0	(15)	(15)	0	(1)
Receive	1-Day USD-Federal Funds Rate Compounded-OIS	2.714	Annual	04/30/2025	900	0	(26)	(26)	0	(2)
Pay	1-Year BRL-CDI	6.930	Maturity	01/02/2020	BRL 400	(1)	2	1	0	0
Pay	3-Month CAD-Bank Bill	2.300	Semi-Annual	07/16/2020	CAD 12,800	(20)	40	20	2	0
Receive	3-Month CAD-Bank Bill	1.850	Semi-Annual	09/15/2027	7,200	299	(55)	244	0	(6)
Pay	3-Month CAD-Bank Bill	2.750	Semi-Annual	12/18/2048	1,900	(23)	44	21	0	(10)
Pay	3-Month CHF-LIBOR	0.050	Annual	03/16/2026	CHF 600	(4)	7	3	1	0
Pay[6]	3-Month USD-LIBOR	3.200	Semi-Annual	04/01/2020	$ 328,700	19	777	796	11	0
Receive	3-Month USD-LIBOR	1.750	Semi-Annual	06/20/2020	16,200	317	(84)	233	1	0
Receive[6]	3-Month USD-LIBOR	3.200	Semi-Annual	04/01/2021	328,700	4	(1,111)	(1,107)	0	(45)
Receive	3-Month USD-LIBOR	2.250	Semi-Annual	12/20/2022	11,800	85	60	145	0	(18)
Pay[6]	3-Month USD-LIBOR	2.970	Semi-Annual	05/31/2023	12,100	7	192	199	22	0
Receive	3-Month USD-LIBOR	2.000	Semi-Annual	06/20/2023	4,400	179	(72)	107	0	(8)
Receive	3-Month USD-LIBOR	2.000	Semi-Annual	06/20/2023	1,300	53	(21)	32	0	(2)
Receive	3-Month USD-LIBOR	1.750	Semi-Annual	12/21/2023	17,900	(377)	1,075	698	0	(35)
Pay	3-Month USD-LIBOR	2.500	Semi-Annual	12/20/2027	14,200	(534)	310	(224)	52	0
Pay	3-Month USD-LIBOR	3.200	Semi-Annual	10/11/2028	1,400	(5)	66	61	5	0
Receive[6]	3-Month USD-LIBOR	3.000	Semi-Annual	06/19/2029	3,500	(45)	(41)	(86)	0	(15)
Receive	3-Month USD-LIBOR	2.750	Semi-Annual	12/20/2047	2,300	(25)	79	54	0	(13)
Receive	3-Month USD-LIBOR	2.500	Semi-Annual	06/20/2048	1,400	156	(51)	105	0	(8)
Receive	3-Month USD-LIBOR	3.000	Semi-Annual	12/19/2048	7,600	205	(422)	(217)	0	(45)
Receive[6]	3-Month USD-LIBOR	2.953	Semi-Annual	11/12/2049	400	(3)	(4)	(7)	0	(3)
Receive[6]	3-Month USD-LIBOR	2.955	Semi-Annual	11/12/2049	1,800	(15)	(18)	(33)	0	(11)
Pay	3-Month ZAR-JIBAR	7.250	Quarterly	06/20/2023	ZAR 7,100	1	(8)	(7)	1	0
Pay[6]	6-Month EUR-EURIBOR	0.000	Annual	03/20/2021	EUR 1,900	1	5	6	0	0
Pay	6-Month EUR-EURIBOR	2.500	Annual	03/21/2023	14,000	1,491	500	1,991	8	0
Pay[6]	6-Month EUR-EURIBOR	0.500	Annual	03/20/2024	4,000	11	48	59	3	0
Pay[6]	6-Month EUR-EURIBOR	0.500	Annual	06/19/2024	24,100	127	143	270	21	0
Pay[6]	6-Month EUR-EURIBOR	1.000	Annual	03/20/2029	1,150	(7)	26	19	2	0
Pay[6]	6-Month EUR-EURIBOR	1.000	Annual	06/19/2029	15,700	61	111	172	24	0
Receive[6]	6-Month EUR-EURIBOR	1.500	Annual	03/20/2049	8,950	212	(500)	(288)	0	(8)
Pay[6]	6-Month GBP-LIBOR	1.250	Annual	09/18/2020	GBP 21,300	(1)	34	33	0	(2)
Pay[6]	6-Month GBP-LIBOR	1.500	Annual	12/18/2020	16,400	47	22	69	1	0
Pay[6]	6-Month GBP-LIBOR	1.000	Semi-Annual	03/20/2021	8,400	(57)	17	(40)	0	0
Receive[6]	6-Month GBP-LIBOR	1.500	Annual	09/16/2021	21,300	(12)	(56)	(68)	0	(9)
Receive[6]	6-Month GBP-LIBOR	1.500	Annual	12/16/2021	16,400	(7)	(41)	(48)	0	(9)
Receive[6]	6-Month GBP-LIBOR	1.500	Semi-Annual	03/20/2024	2,800	(2)	(30)	(32)	0	(5)
Pay[6]	6-Month GBP-LIBOR	1.500	Semi-Annual	03/20/2029	4,000	(74)	101	27	19	0
Receive[6]	6-Month GBP-LIBOR	1.750	Semi-Annual	03/20/2049	900	(6)	(53)	(59)	0	(10)
Receive	6-Month JPY-LIBOR	0.500	Semi-Annual	09/17/2021	JPY 370,000	(69)	19	(50)	0	0
Pay[6]	6-Month JPY-LIBOR	0.100	Semi-Annual	03/20/2024	1,700,000	(50)	106	56	2	0
Receive	6-Month JPY-LIBOR	0.300	Semi-Annual	09/20/2027	340,000	(7)	(41)	(48)	0	0
Receive	6-Month JPY-LIBOR	0.399	Semi-Annual	06/18/2028	1,240,000	(30)	(231)	(261)	0	(4)
Receive[6]	6-Month JPY-LIBOR	0.450	Semi-Annual	03/20/2029	928,000	(69)	(150)	(219)	0	(4)
Pay	6-Month JPY-LIBOR	1.250	Semi-Annual	06/17/2035	20,000	19	5	24	0	0
Receive	6-Month JPY-LIBOR	0.750	Semi-Annual	12/20/2038	550,616	72	(272)	(200)	0	(5)
Receive	6-Month JPY-LIBOR	1.500	Semi-Annual	12/21/2045	220,000	(339)	(79)	(418)	0	(2)
Pay	28-Day MXN-TIIE	7.680	Lunar	12/29/2022	MXN 273,900	15	(450)	(435)	39	0
Pay	28-Day MXN-TIIE	7.740	Lunar	02/22/2027	6,300	1	(20)	(19)	2	0
						$ 1,601	$ (141)	$ 1,460	$ 216	$ (287)
Total Swap Agreements						**$ 840**	**$ (20)**	**$ 820**	**$ 226**	**$ (317)**

FINANCIAL DERIVATIVE INSTRUMENTS: EXCHANGE-TRADED OR CENTRALLY CLEARED SUMMARY

The following is a summary of the market value and variation margin of Exchange-Traded or Centrally Cleared Financial Derivative Instruments as of December 31, 2018:

	Financial Derivative Assets				Financial Derivative Liabilities			
	Market Value	Variation Margin Asset			Market Value	Variation Margin Liability		
	Purchased Options	Futures	Swap Agreements	Total	Written Options	Futures	Swap Agreements	Total
Total Exchange-Traded or Centrally Cleared	**$ 3**	**$ 290**	**$ 226**	**$ 519**	**$ 0**	**$ (221)**	**$ (317)**	**$ (538)**

(l) Securities with an aggregate market value of $756 and cash of $5,154 have been pledged as collateral for exchange-traded and centrally cleared financial derivative instruments as of December 31, 2018. See Note 8, Master Netting Arrangements, in the Notes to Financial Statements for more information regarding master netting arrangements.

(1) If the Portfolio is a buyer of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Portfolio will either (i) receive from the seller of protection an amount equal to the notional amount of the swap and deliver the referenced obligation or underlying securities comprising the referenced index or (ii) receive a net settlement amount in the form of cash, securities or other deliverable obligations equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

(2) If the Portfolio is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Portfolio will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash, securities or other deliverable obligations equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

(3) Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements on sovereign issues as of period end serve as indicators of the current status of the payment/performance risk and represent the likelihood or risk of default for the credit derivative. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

(4) The maximum potential amount the Portfolio could be required to pay as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.

(5) The prices and resulting values for credit default swap agreements serve as indicators of the current status of the payment/performance risk and represent the likelihood of an expected liability (or profit) for the credit derivative should the notional amount of the swap agreement be closed/sold as of the period end. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced indices' credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

(6) This instrument has a forward starting effective date. See Note 2, Securities Transactions and Investment Income, in the Notes to Financial Statements for further information.

(m) FINANCIAL DERIVATIVE INSTRUMENTS: OVER THE COUNTER

FORWARD FOREIGN CURRENCY CONTRACTS:

Counterparty	Settlement Month	Currency to be Delivered		Currency to be Received		Unrealized Appreciation/ (Depreciation) Asset	Unrealized Appreciation/ (Depreciation) Liability
AZD	06/2019	$	3,597	EUR	3,084	$ 0	$ (13)
BOA	01/2019	ARS	2,166	$	53	0	(3)
	01/2019	CAD	131		96	0	0
	01/2019	CHF	77		78	0	0
	01/2019	DKK	37,707		5,993	207	0
	01/2019	EUR	10,946		12,496	0	(54)
	01/2019	GBP	958		1,223	2	0
	01/2019	$	1,710	CAD	2,268	0	(48)
	02/2019	EUR	395	$	454	0	0
	02/2019	GBP	256		328	1	0
	02/2019	SEK	94,035		10,409	0	(238)
	02/2019	$	11,064	NOK	93,742	0	(201)
BPS	01/2019	CHF	261	$	265	0	(1)
	01/2019	$	164	CAD	224	0	0
	01/2019		1,215	GBP	967	18	0
	01/2019		655	KRW	738,722	7	0
	01/2019		602	NZD	885	0	(8)
	01/2019		2,136	PLN	8,049	15	0
	02/2019	RON	6,655	EUR	1,423	0	0
	03/2019	KRW	738,722	$	657	0	(8)
	03/2019	$	171	KRW	191,537	1	0
	04/2019	CNH	3,793	$	547	0	(5)
	04/2019	$	1,098	CNH	7,576	4	0
	07/2019		518		3,546	0	(2)
BRC	01/2019	DKK	375	$	58	0	0
	01/2019	$	922	NOK	7,862	0	(13)
	02/2019	GBP	256	$	328	1	0
	02/2019	JPY	48,200		436	0	(5)
	02/2019	$	2,925	EUR	2,561	20	0
	02/2019		102	GBP	80	0	0
	02/2019		304	SEK	2,715	3	0
CBK	01/2019	BRL	2,247	$	575	0	(4)
	01/2019	EUR	17,827		20,347	0	(92)
	01/2019	NZD	199		138	4	0
	01/2019	$	580	BRL	2,247	0	0
	01/2019		1,940	CAD	2,552	0	(70)
	01/2019		5,596	DKK	36,654	29	0
	01/2019		5,936	RUB	393,380	0	(306)
	01/2019		607	SEK	5,461	9	0
	02/2019	CNH	3,970	$	571	0	(7)
	02/2019	EUR	2,724		3,217	99	(14)
	02/2019	GBP	4,662		6,012	57	0
	02/2019	$	8,708	AUD	12,081	0	(192)
	02/2019		11,317	CHF	11,292	217	0

Counterparty	Settlement Month	Currency to be Delivered		Currency to be Received		Unrealized Appreciation/ (Depreciation) Asset	Liability
	02/2019	$	1,528	COP	4,826,687	$ 0	$ (45)
	02/2019		226	EUR	198	2	0
	02/2019		12,486	JPY	1,412,895	445	0
	02/2019		370	NOK	3,205	2	0
	03/2019	KRW	4,373,235	$	3,902	0	(35)
	04/2019	DKK	36,654		5,641	0	(29)
	05/2019	EUR	708		826	5	0
	06/2019	GBP	240		322	13	0
	06/2019	$	7,692	EUR	6,611	0	(8)
	07/2019	CNH	3,776	$	560	11	0
	07/2019	$	517	CNH	3,546	0	(1)
DUB	01/2019	BRL	10,506	$	2,716	6	0
	01/2019	$	2,729	BRL	10,506	0	(18)
	01/2019		692	EUR	550	0	(61)
	02/2019	BRL	10,506	$	2,723	18	0
	03/2019		1,006		263	5	0
	03/2019	$	224	MXN	4,806	18	0
	04/2019	SEK	917	EUR	89	0	(1)
FBF	04/2019	EUR	177	SEK	1,815	2	0
GLM	01/2019	BRL	1,499	$	390	3	0
	01/2019	CAD	812		607	12	0
	01/2019	CHF	904		914	0	(6)
	01/2019	EUR	3,613		4,111	0	(28)
	01/2019	NZD	442		304	7	0
	01/2019	SEK	2,695		299	0	(6)
	01/2019	$	387	BRL	1,499	0	0
	01/2019		1,212	CAD	1,621	0	(24)
	01/2019		190	DKK	1,210	0	(4)
	01/2019		784	MXN	16,110	35	0
	01/2019		613	NOK	5,283	0	(2)
	02/2019	CHF	57	$	58	0	(1)
	02/2019	CLP	531,591		764	0	(3)
	02/2019	$	3,069	AUD	4,256	0	(69)
	02/2019		780	CLP	530,145	0	(15)
	02/2019		571	CNH	3,968	7	0
	02/2019		5,550	EUR	4,846	22	0
	03/2019	JPY	940,000	$	8,369	0	(250)
	03/2019	$	2,941	IDR	43,229,800	31	0
HUS	01/2019	BRL	5,172	$	1,331	0	(3)
	01/2019	CAD	1,083		811	17	0
	01/2019	EUR	574		690	31	0
	01/2019	KRW	229,600		205	0	(1)
	01/2019	MXN	8,938		443	0	(11)
	01/2019	$	13	ARS	519	0	0
	01/2019		1,217	AUD	1,686	0	(30)
	01/2019		1,335	BRL	5,171	0	0
	01/2019		922	CAD	1,221	0	(28)
	01/2019		290	GBP	230	3	0
	02/2019	AUD	2,052	$	1,516	70	0
	02/2019	NOK	780		91	1	0
	02/2019	$	683	AUD	902	0	(47)
	02/2019		1,642	EUR	1,429	3	(1)
	02/2019		290	NOK	2,505	0	0
	02/2019		427	SEK	3,840	8	0
	03/2019	BRL	338	$	100	13	0
	03/2019	$	678	KRW	758,953	5	0
	03/2019		100	MXN	1,970	0	(1)
	05/2019		851	EUR	705	0	(33)
	07/2019	CNH	24,486	$	3,588	24	0
	07/2019	$	3,721	CNH	25,541	0	(4)
IND	01/2019	MXN	11,913	$	585	0	(21)
	01/2019	$	8,756	NZD	12,871	0	(116)
	04/2019	CNH	927	$	134	0	(1)
JPM	01/2019	AUD	2,526		1,814	35	0
	01/2019	CAD	809		594	2	0
	01/2019	CHF	1,176		1,187	0	(10)
	01/2019	EUR	1,032		1,177	0	(6)
	01/2019	GBP	714		902	0	(8)
	01/2019	KRW	509,122		455	0	(1)

Counterparty	Settlement Month	Currency to be Delivered		Currency to be Received		Unrealized Appreciation/ (Depreciation) Asset	Liability
	01/2019	NOK	10,335	$	1,180	$ 0	$ (15)
	01/2019	$	319	ARS	12,384	6	0
	01/2019		888	AUD	1,261	0	0
	01/2019		598	EUR	526	5	0
	01/2019		6,552	MXN	125,238	0	(200)
	01/2019		302	NZD	450	0	0
	01/2019		39	RUB	2,619	0	(1)
	01/2019		1,813	SEK	16,364	34	0
	02/2019	NOK	700	$	82	1	0
	03/2019	IDR	1,827,000		126	0	0
	07/2019	CNH	1,277		188	2	0
MSB	04/2019	$	1,730	CNH	11,900	2	0
	07/2019	CNH	3,094	$	453	2	0
MYI	01/2019	AUD	422		304	6	0
	01/2019	EUR	8,219		9,400	0	(27)
	01/2019	JPY	137,063		1,216	0	(35)
	01/2019	NZD	2,206		1,509	28	0
	01/2019	SEK	10,981		1,212	0	(27)
	02/2019	JPY	165,600		1,494	0	(21)
	02/2019	$	1,519	AUD	2,122	0	(23)
	06/2021		15	EUR	12	0	(1)
NGF	04/2019	CNH	1,140	$	165	0	(1)
RBC	01/2019	EUR	1,000		1,139	0	(9)
	01/2019	$	439	CAD	585	0	(10)
	02/2019	AUD	215	$	156	5	0
	02/2019	GBP	364		471	6	0
RYL	01/2019	NZD	218		150	4	0
	02/2019	CHF	315		319	0	(3)
	04/2019	SEK	1,288	EUR	124	0	(3)
SCX	01/2019	$	3,118	GBP	2,439	0	(8)
	01/2019		305	JPY	34,370	8	0
	02/2019	EUR	365	$	417	0	(3)
	02/2019	$	456	AUD	624	0	(16)
	04/2019	CNH	6,116	$	880	0	(10)
	04/2019	NGN	332,325		875	0	(10)
	04/2019	$	1,184	CNH	8,167	4	0
SSB	02/2019	EUR	11,704	$	13,264	0	(194)
	02/2019	$	89	GBP	70	0	0
	02/2019		311	NOK	2,650	0	(4)
	03/2019	TWD	24,853	$	813	0	(6)
TOR	02/2019	$	46	EUR	40	0	0
UAG	01/2019	EUR	17,673	$	20,158	0	(105)
	01/2019	NOK	116		14	0	0
	02/2019		790		94	2	0
	02/2019	$	7,405	GBP	5,709	0	(112)
Total Forward Foreign Currency Contracts						**$ 1,665**	**$ (3,056)**

PURCHASED OPTIONS:

FOREIGN CURRENCY OPTIONS

Counterparty	Description	Strike Price		Expiration Date	Notional Amount		Cost	Market Value
BPS	Put - OTC AUD versus USD	$	0.630	01/18/2019	AUD	5,000	$ 0	$ 0
	Put - OTC GBP versus USD		1.050	01/18/2019	GBP	2,700	0	0
BRC	Call - OTC EUR versus USD		1.308	09/22/2021	EUR	200	12	8
	Put - OTC EUR versus USD		1.308	09/22/2021		200	15	20
GLM	Call - OTC USD versus CNH	CNH	7.110	02/11/2019	$	1,200	6	1
HUS	Put - OTC AUD versus USD	$	0.670	01/03/2019	AUD	10,200	1	0
	Call - OTC USD versus CAD	CAD	1.415	01/04/2019	$	2,600	0	0
	Call - OTC USD versus JPY	JPY	117.750	01/10/2019		4,400	1	0
MSB	Call - OTC EUR versus USD	$	1.291	06/24/2021	EUR	178	11	7
	Put - OTC EUR versus USD		1.291	06/24/2021		178	13	17
Total Purchased Options							**$ 59**	**$ 53**

WRITTEN OPTIONS:

CREDIT DEFAULT SWAPTIONS ON CREDIT INDICES

Counterparty	Description	Buy/Sell Protection	Exercise Rate	Expiration Date	Notional Amount	Premiums (Received)	Market Value
BOA	Put - OTC CDX.IG-31 5-Year Index	Sell	0.900%	01/16/2019	$ 300	$ 0	$ 0
	Put - OTC CDX.IG-31 5-Year Index	Sell	0.950	02/20/2019	400	(1)	(1)
	Put - OTC CDX.IG-31 5-Year Index	Sell	1.000	02/20/2019	500	(1)	(1)
	Put - OTC CDX.IG-31 5-Year Index	Sell	1.000	03/20/2019	600	(1)	(2)
BPS	Put - OTC CDX.IG-31 5-Year Index	Sell	1.000	02/20/2019	400	(1)	(1)
BRC	Put - OTC CDX.IG-31 5-Year Index	Sell	1.000	01/16/2019	500	0	0
	Put - OTC CDX.IG-31 5-Year Index	Sell	1.050	02/20/2019	300	(1)	(1)
	Put - OTC CDX.IG-31 5-Year Index	Sell	1.100	03/20/2019	200	0	0
CBK	Put - OTC CDX.IG-31 5-Year Index	Sell	0.950	01/16/2019	600	(1)	(1)
	Put - OTC CDX.IG-31 5-Year Index	Sell	1.000	01/16/2019	2,400	(2)	(1)
	Put - OTC CDX.IG-31 5-Year Index	Sell	0.950	02/20/2019	800	(2)	(2)
	Put - OTC CDX.IG-31 5-Year Index	Sell	1.050	02/20/2019	200	0	0
	Put - OTC CDX.IG-31 5-Year Index	Sell	1.050	03/20/2019	200	0	(1)
	Put - OTC CDX.IG-31 5-Year Index	Sell	1.100	03/20/2019	400	(1)	(1)
	Put - OTC CDX.IG-31 5-Year Index	Sell	1.200	03/20/2019	400	0	(1)
GST	Put - OTC CDX.IG-31 5-Year Index	Sell	0.900	01/16/2019	400	0	(1)
	Put - OTC CDX.IG-31 5-Year Index	Sell	2.400	09/18/2019	500	(1)	(1)
	Put - OTC iTraxx Europe 30 5-Year Index	Sell	2.400	09/18/2019	EUR 500	(1)	(1)
JPM	Put - OTC CDX.IG-31 5-Year Index	Sell	0.950	02/20/2019	$ 400	(1)	(1)
	Put - OTC CDX.IG-31 5-Year Index	Sell	1.200	03/20/2019	700	(1)	(1)
MYC	Put - OTC CDX.IG-31 5-Year Index	Sell	0.900	01/16/2019	400	(1)	(1)
						$ (16)	$ (19)

FOREIGN CURRENCY OPTIONS

Counterparty	Description	Strike Price	Expiration Date	Notional Amount	Premiums (Received)	Market Value
CBK	Put - OTC GBP versus USD	$ 1.315	06/14/2019	GBP 684	$ (22)	$ (41)
	Call - OTC GBP versus USD	1.440	06/14/2019	690	(10)	(3)
GLM	Put - OTC USD versus CNH	CNH 6.840	02/11/2019	$ 1,200	(6)	(7)
					$ (38)	$ (51)
Total Written Options					**$ (54)**	**$ (70)**

SWAP AGREEMENTS:

CREDIT DEFAULT SWAPS ON SOVEREIGN ISSUES - BUY PROTECTION(1)

Counterparty	Reference Entity	Fixed (Pay) Rate	Payment Frequency	Maturity Date	Implied Credit Spread at December 31, 2018(3)	Notional Amount(4)	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Swap Agreements, at Value(5) Asset	Swap Agreements, at Value(5) Liability
BOA	Japan Government International Bond	(1.000)%	Quarterly	06/20/2022	0.154%	$ 100	$ (3)	$ 0	$ 0	$ (3)
BPS	Japan Government International Bond	(1.000)	Quarterly	06/20/2022	0.154	1,000	(36)	7	0	(29)
	South Korea Government International Bond	(1.000)	Quarterly	06/20/2023	0.346	800	(20)	(2)	0	(22)
BRC	China Government International Bond	(1.000)	Quarterly	06/20/2023	0.614	300	(6)	1	0	(5)
	Japan Government International Bond	(1.000)	Quarterly	06/20/2022	0.154	800	(28)	5	0	(23)
	South Korea Government International Bond	(1.000)	Quarterly	06/20/2023	0.346	900	(23)	(2)	0	(25)
CBK	Japan Government International Bond	(1.000)	Quarterly	06/20/2022	0.154	400	(14)	2	0	(12)
GST	China Government International Bond	(1.000)	Quarterly	06/20/2023	0.614	700	(13)	1	0	(12)
	Japan Government International Bond	(1.000)	Quarterly	06/20/2022	0.154	700	(24)	4	0	(20)
HUS	South Korea Government International Bond	(1.000)	Quarterly	06/20/2023	0.346	300	(7)	(1)	0	(8)
JPM	South Korea Government International Bond	(1.000)	Quarterly	06/20/2023	0.346	400	(10)	(1)	0	(11)
							$ (184)	$ 14	$ 0	$ (170)

CREDIT DEFAULT SWAPS ON SOVEREIGN ISSUES - SELL PROTECTION(2)

Counterparty	Reference Entity	Fixed Receive Rate	Payment Frequency	Maturity Date	Implied Credit Spread at December 31, 2018(3)	Notional Amount(4)	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Swap Agreements, at Value(5) Asset	Swap Agreements, at Value(5) Liability
JPM	South Africa Government International Bond	1.000%	Quarterly	06/20/2023	2.113%	$ 100	$ (5)	$ 1	$ 0	$ (4)

CROSS-CURRENCY SWAPS

Counterparty	Receive	Pay	Payment Frequency	Maturity Date(6)		Notional Amount of Currency Received	Notional Amount of Currency Delivered	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Swap Agreements, at Value Asset	Swap Agreements, at Value Liability
CBK	Floating rate equal to 3-Month EUR-LIBOR less 0.27% based on the notional amount of currency received	Floating rate equal to 3-Month USD-LIBOR based on the notional amount of currency delivered	Maturity	06/19/2019	EUR	1,300	$ 1,474	$ 23	$ (11)	$ 12	$ 0
DUB	Floating rate equal to 3-Month GBP-LIBOR less 0.055% based on the notional amount of currency received	Floating rate equal to 3-Month USD-LIBOR based on the notional amount of currency delivered	Maturity	10/13/2026	GBP	300	366	0	10	10	0
GLM	Floating rate equal to 3-Month EUR-LIBOR less 0.283% based on the notional amount of currency received	Floating rate equal to 3-Month USD-LIBOR based on the notional amount of currency delivered	Maturity	06/19/2019	EUR	7,800	8,844	131	(57)	74	0
	Floating rate equal to 3-Month EUR-LIBOR less 0.299% based on the notional amount of currency received	Floating rate equal to 3-Month USD-LIBOR based on the notional amount of currency delivered	Maturity	06/19/2019		6,800	7,710	149	(85)	64	0
MYC	Floating rate equal to 3-Month EUR-LIBOR less 0.27% based on the notional amount of currency received	Floating rate equal to 3-Month USD-LIBOR based on the notional amount of currency delivered	Maturity	06/19/2019		10,200	11,566	182	(85)	97	0
RYL	Floating rate equal to 3-Month GBP-LIBOR less 0.055% based on the notional amount of currency received	Floating rate equal to 3-Month USD-LIBOR based on the notional amount of currency delivered	Maturity	10/13/2026	GBP	600	732	18	3	21	0
TOR	Floating rate equal to 3-Month EUR-LIBOR less 0.265% based on the notional amount of currency received	Floating rate equal to 3-Month USD-LIBOR based on the notional amount of currency delivered	Maturity	06/19/2019	EUR	10,400	11,792	165	(66)	99	0
								$ 668	$ (291)	$ 377	$ 0

INTEREST RATE SWAPS

Counterparty	Pay/ Receive Floating Rate	Floating Rate Index	Fixed Rate	Payment Frequency	Maturity Date		Notional Amount	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Swap Agreements, at Value Asset	Swap Agreements, at Value Liability
BOA	Receive	1-Year ILS-TELBOR	0.370%	Annual	06/20/2020	ILS	7,500	$ 0	$ 4	$ 4	$ 0
	Pay	1-Year ILS-TELBOR	1.998	Annual	06/20/2028		1,600	0	(1)	0	(1)
BRC	Receive	1-Year ILS-TELBOR	0.374	Annual	06/20/2020		30,100	0	17	17	0
	Pay	1-Year ILS-TELBOR	1.950	Annual	06/20/2028		6,500	0	(13)	0	(13)
DUB	Receive	1-Year ILS-TELBOR	0.414	Annual	06/20/2020		16,500	0	6	6	0
	Pay	1-Year ILS-TELBOR	2.100	Annual	06/20/2028		3,500	0	6	6	0
GLM	Receive	1-Year ILS-TELBOR	0.270	Annual	03/21/2020		14,800	0	7	7	0
	Receive	1-Year ILS-TELBOR	0.370	Annual	06/20/2020		15,400	1	8	9	0
	Pay	1-Year ILS-TELBOR	1.883	Annual	03/21/2028		3,200	0	(5)	0	(5)
	Pay	1-Year ILS-TELBOR	1.998	Annual	06/20/2028		3,300	0	(3)	0	(3)
HUS	Receive	1-Year ILS-TELBOR	0.370	Annual	06/20/2020		5,100	0	3	3	0
	Pay	1-Year ILS-TELBOR	1.998	Annual	06/20/2028		1,100	0	(1)	0	(1)
JPM	Receive	3-Month KRW-KORIBOR	2.005	Quarterly	07/10/2027	KRW	2,520,100	0	(38)	0	(38)
SOG	Receive	3-Month KRW-KORIBOR	2.025	Quarterly	07/10/2027		5,588,900	71	(164)	0	(93)
								$ 72	$ (174)	$ 52	$ (154)
Total Swap Agreements								**$ 551**	**$ (450)**	**$ 429**	**$ (328)**

FINANCIAL DERIVATIVE INSTRUMENTS: OVER THE COUNTER SUMMARY

The following is a summary by counterparty of the market value of OTC financial derivative instruments and collateral pledged/(received) as of December 31, 2018:

	Financial Derivative Assets				Financial Derivative Liabilities						
Counterparty	**Forward Foreign Currency Contracts**	**Purchased Options**	**Swap Agreements**	**Total Over the Counter**	**Forward Foreign Currency Contracts**	**Written Options**	**Swap Agreements**	**Total Over the Counter**	**Net Market Value of OTC Derivatives**	**Collateral Pledged/ (Received)**	**Net Exposure[7]**
AZD	$ 0	$ 0	$ 0	$ 0	$ (13)	$ 0	$ 0	$ (13)	$ (13)	$ 0	$ (13)
BOA	210	0	4	214	(544)	(4)	(4)	(552)	(338)	273	(65)
BPS	45	0	0	45	(24)	(1)	(51)	(76)	(31)	0	(31)
BRC	24	28	17	69	(18)	(1)	(66)	(85)	(16)	0	(16)
CBK	893	0	12	905	(803)	(51)	(12)	(866)	39	0	39
DUB	47	0	22	69	(80)	0	0	(80)	(11)	0	(11)
FBF	2	0	0	2	0	0	0	0	2	0	2
GLM	117	1	154	272	(408)	(7)	(8)	(423)	(151)	289	138
GST	0	0	0	0	0	(3)	(32)	(35)	(35)	0	(35)
HUS	175	0	3	178	(159)	0	(9)	(168)	10	0	10
IND	0	0	0	0	(138)	0	0	(138)	(138)	0	(138)
JPM	85	0	0	85	(241)	(2)	(53)	(296)	(211)	234	23
MSB	4	24	0	28	0	0	0	0	28	0	28
MYC	0	0	97	97	0	(1)	0	(1)	96	0	96
MYI	34	0	0	34	(134)	0	0	(134)	(100)	133	33
NGF	0	0	0	0	(1)	0	0	(1)	(1)	0	(1)
RBC	11	0	0	11	(19)	0	0	(19)	(8)	0	(8)
RYL	4	0	21	25	(6)	0	0	(6)	19	(10)	9
SCX	12	0	0	12	(47)	0	0	(47)	(35)	0	(35)
SOG	0	0	0	0	0	0	(93)	(93)	(93)	0	(93)
SSB	0	0	0	0	(204)	0	0	(204)	(204)	0	(204)
TOR	0	0	99	99	0	0	0	0	99	0	99
UAG	2	0	0	2	(217)	0	0	(217)	(215)	129	(86)
Total Over the Counter	**$ 1,665**	**$ 53**	**$ 429**	**$ 2,147**	**$ (3,056)**	**$ (70)**	**$ (328)**	**$ (3,454)**			

(n) Securities with an aggregate market value of $1,058 have been pledged as collateral for financial derivative instruments as governed by International Swaps and Derivatives Association, Inc. master agreements as of December 31, 2018.

(1) If the Portfolio is a buyer of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Portfolio will either (i) receive from the seller of protection an amount equal to the notional amount of the swap and deliver the referenced obligation or underlying securities comprising the referenced index or (ii) receive a net settlement amount in the form of cash, securities or other deliverable obligations equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

(2) If the Portfolio is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Portfolio will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash, securities or other deliverable obligations equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

(3) Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements on sovereign issues as of period end serve as indicators of the current status of the payment/performance risk and represent the likelihood or risk of default for the credit derivative. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

(4) The maximum potential amount the Portfolio could be required to pay as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.

(5) The prices and resulting values for credit default swap agreements serve as indicators of the current status of the payment/performance risk and represent the likelihood of an expected liability (or profit) for the credit derivative should the notional amount of the swap agreement be closed/sold as of the period end. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced indices' credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

(6) At the maturity date, the notional amount of the currency received will be exchanged back for the notional amount of the currency delivered.

(7) Net Exposure represents the net receivable/(payable) that would be due from/to the counterparty in the event of default. Exposure from OTC financial derivative instruments can only be netted across transactions governed under the same master agreement with the same legal entity. See Note 8, Master Netting Arrangements, in the Notes to Financial Statements for more information regarding master netting arrangements.

FAIR VALUE OF FINANCIAL DERIVATIVE INSTRUMENTS

The following is a summary of the fair valuation of the Portfolio's derivative instruments categorized by risk exposure. See Note 7, Principal Risks, in the Notes to Financial Statements on risks of the Portfolio.

Fair Values of Financial Derivative Instruments on the Statement of Assets and Liabilities as of December 31, 2018:

	Derivatives not accounted for as hedging instruments					
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Total
Financial Derivative Instruments - Assets						
Exchange-traded or centrally cleared						
Purchased Options	$ 0	$ 0	$ 0	$ 0	$ 3	$ 3
Futures	0	0	0	0	290	290
Swap Agreements	0	9	0	0	217	226
	$ 0	$ 9	$ 0	$ 0	$ 510	$ 519
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 1,665	$ 0	$ 1,665
Purchased Options	0	0	0	53	0	53
Swap Agreements	0	0	0	377	52	429
	$ 0	$ 0	$ 0	$ 2,095	$ 52	$ 2,147
	$ 0	$ 9	$ 0	$ 2,095	$ 562	$ 2,666
Financial Derivative Instruments - Liabilities						
Exchange-traded or centrally cleared						
Futures	$ 0	$ 0	$ 0	$ 0	$ 221	$ 221
Swap Agreements	0	29	0	0	288	317
	$ 0	$ 29	$ 0	$ 0	$ 509	$ 538
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 3,056	$ 0	$ 3,056
Written Options	0	19	0	51	0	70
Swap Agreements	0	174	0	0	154	328
	$ 0	$ 193	$ 0	$ 3,107	$ 154	$ 3,454
	$ 0	$ 222	$ 0	$ 3,107	$ 663	$ 3,992

The effect of Financial Derivative Instruments on the Statement of Operations for the period ended December 31, 2018:

	Derivatives not accounted for as hedging instruments					
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Total
Net Realized Gain (Loss) on Financial Derivative Instruments						
Exchange-traded or centrally cleared						
Purchased Options	$ 0	$ 0	$ 0	$ 0	$ 3	$ 3
Written Options	0	0	0	0	41	41
Futures	0	0	0	0	(2,677)	(2,677)
Swap Agreements	0	(613)	0	0	3,108	2,495
	$ 0	$ (613)	$ 0	$ 0	$ 475	$ (138)
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ (3,067)	$ 0	$ (3,067)
Purchased Options	0	0	0	3	(68)	(65)
Written Options	0	31	0	429	16	476
Swap Agreements	0	(1)	0	2,905	(16)	2,888
	$ 0	$ 30	$ 0	$ 270	$ (68)	$ 232
	$ 0	$ (583)	$ 0	$ 270	$ 407	$ 94
Net Change in Unrealized Appreciation (Depreciation) on Financial Derivative Instruments						
Exchange-traded or centrally cleared						
Purchased Options	$ 0	$ 0	$ 0	$ 0	$ (5)	$ (5)
Written Options	0	0	0	0	(13)	(13)
Futures	0	0	0	0	(696)	(696)
Swap Agreements	0	140	0	0	(1,613)	(1,473)
	$ 0	$ 140	$ 0	$ 0	$ (2,327)	$ (2,187)
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ (903)	$ 0	$ (903)
Purchased Options	0	0	0	9	65	74
Written Options	0	(3)	0	(71)	(8)	(82)
Swap Agreements	0	(24)	0	(2,368)	(245)	(2,637)
	$ 0	$ (27)	$ 0	$ (3,333)	$ (188)	$ (3,548)
	$ 0	$ 113	$ 0	$ (3,333)	$ (2,515)	$ (5,735)

See Accompanying Notes

FAIR VALUE MEASUREMENTS

The following is a summary of the fair valuations according to the inputs used as of December 31, 2018 in valuing the Portfolio's assets and liabilities:

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 12/31/2018
Investments in Securities, at Value				
Argentina				
Sovereign Issues	$ 0	$ 253	$ 0	$ 253
Australia				
Corporate Bonds & Notes	0	597	0	597
Non-Agency Mortgage-Backed Securities	0	300	0	300
Sovereign Issues	0	611	0	611
Bermuda				
Asset-Backed Securities	0	0	1,657	1,657
Brazil				
Corporate Bonds & Notes	0	1,758	0	1,758
Canada				
Corporate Bonds & Notes	0	3,903	0	3,903
Non-Agency Mortgage-Backed Securities	0	766	0	766
Sovereign Issues	0	5,068	0	5,068
Cayman Islands				
Asset-Backed Securities	0	4,257	0	4,257
Corporate Bonds & Notes	0	1,183	0	1,183
Denmark				
Corporate Bonds & Notes	0	6,788	0	6,788
France				
Corporate Bonds & Notes	0	2,126	0	2,126
Sovereign Issues	0	7,151	0	7,151
Germany				
Corporate Bonds & Notes	0	2,003	0	2,003
Guernsey, Channel Islands				
Corporate Bonds & Notes	0	808	0	808
Indonesia				
Corporate Bonds & Notes	0	203	0	203
Ireland				
Asset-Backed Securities	0	1,282	0	1,282
Corporate Bonds & Notes	0	592	0	592
Sovereign Issues	0	599	0	599
Israel				
Sovereign Issues	0	393	0	393
Italy				
Corporate Bonds & Notes	0	764	0	764
Sovereign Issues	0	1,255	0	1,255
Japan				
Corporate Bonds & Notes	0	1,825	0	1,825
Sovereign Issues	0	3,462	0	3,462
Kuwait				
Sovereign Issues	0	1,595	0	1,595
Lithuania				
Sovereign Issues	0	424	0	424
Luxembourg				
Corporate Bonds & Notes	0	1,804	0	1,804
Netherlands				
Asset-Backed Securities	0	912	0	912
Corporate Bonds & Notes	0	6,401	0	6,401
Norway				
Corporate Bonds & Notes	0	591	0	591
Sovereign Issues	0	197	0	197
Peru				
Sovereign Issues	0	4,514	0	4,514
Portugal				
Corporate Bonds & Notes	0	133	0	133
Qatar				
Sovereign Issues	0	2,664	0	2,664
Saudi Arabia				
Sovereign Issues	0	4,078	0	4,078
Singapore				
Corporate Bonds & Notes	0	390	0	390
Slovenia				
Sovereign Issues	0	1,102	0	1,102

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 12/31/2018
South Korea				
Corporate Bonds & Notes	$ 0	$ 196	$ 0	$ 196
Spain				
Corporate Bonds & Notes	0	432	0	432
Sovereign Issues	0	5,086	0	5,086
Supranational				
Corporate Bonds & Notes	0	1,033	0	1,033
Sweden				
Corporate Bonds & Notes	0	11,008	0	11,008
Switzerland				
Corporate Bonds & Notes	0	1,993	0	1,993
Sovereign Issues	0	151	0	151
United Arab Emirates				
Sovereign Issues	0	1,160	0	1,160
United Kingdom				
Corporate Bonds & Notes	0	10,937	0	10,937
Non-Agency Mortgage-Backed Securities	0	4,240	0	4,240
Preferred Securities	0	242	0	242
Sovereign Issues	0	2,401	0	2,401
United States				
Asset-Backed Securities	0	7,366	0	7,366
Corporate Bonds & Notes	0	29,655	0	29,655
Loan Participations and Assignments	0	745	0	745
Municipal Bonds & Notes	0	2,018	0	2,018
Non-Agency Mortgage-Backed Securities	0	12,013	0	12,013
U.S. Government Agencies	0	44,868	0	44,868
U.S. Treasury Obligations	0	15,695	0	15,695
Short-Term Instruments				
Argentina Treasury Bills	0	167	0	167
France Treasury Bills	0	11,690	0	11,690
Japan Treasury Bills	0	8,578	0	8,578
Netherlands Treasury Bills	0	1,147	0	1,147
Nigeria Treasury Bills	0	931	0	931
	$ 0	$ 246,504	$ 1,657	$ 248,161
Investments in Affiliates, at Value				
Short-Term Instruments				
Central Funds Used for Cash Management Purposes	$ 3,385	$ 0	$ 0	$ 3,385
Total Investments	$ 3,385	$ 246,504	$ 1,657	$ 251,546
Short Sales, at Value - Liabilities				
Canada				
Sovereign Issues	$ 0	$ (1,488)	$ 0	$ (1,488)
Financial Derivative Instruments - Assets				
Exchange-traded or centrally cleared	290	229	0	519
Over the counter	0	2,147	0	2,147
	$ 290	$ 2,376	$ 0	$ 2,666
Financial Derivative Instruments - Liabilities				
Exchange-traded or centrally cleared	(221)	(317)	0	(538)
Over the counter	0	(3,454)	0	(3,454)
	$ (221)	$ (3,771)	$ 0	$ (3,992)
Total Financial Derivative Instruments	$ 69	$ (1,395)	$ 0	$ (1,326)
Totals	$ 3,454	$ 243,621	$ 1,657	$ 248,732

There were no significant transfers into or out of Level 3 during the period ended December 31, 2018.

1. ORGANIZATION

PIMCO Variable Insurance Trust (the "Trust") is a Delaware statutory trust established under a trust instrument dated October 3, 1997. The Trust is registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end management investment company. The Trust is designed to be used as an investment vehicle by separate accounts of insurance companies that fund variable annuity contracts and variable life insurance policies and by qualified pension and retirement plans. Information presented in these financial statements pertains to the Institutional Class, Administrative Class and Advisor Class shares of the PIMCO Global Bond Opportunities Portfolio (Unhedged), (formerly the PIMCO Global Bond Portfolio (Unhedged)) (the "Portfolio") offered by the Trust. Pacific Investment Management Company LLC ("PIMCO") serves as the investment adviser (the "Adviser") for the Portfolio.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Portfolio in the preparation of its financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Portfolio is treated as an investment company under the reporting requirements of U.S. GAAP. The functional and reporting currency for the Portfolio is the U.S. dollar. The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

(a) Securities Transactions and Investment Income Securities transactions are recorded as of the trade date for financial reporting purposes. Securities purchased or sold on a when-issued or delayed-delivery basis may be settled beyond a standard settlement period for the security after the trade date. Realized gains (losses) from securities sold are recorded on the identified cost basis. Dividend income is recorded on the ex-dividend date, except certain dividends from foreign securities where the ex-dividend date may have passed, which are recorded as soon as the Portfolio is informed of the ex-dividend date. Interest income, adjusted for the accretion of discounts and amortization of premiums, is recorded on the accrual basis from settlement date, with the exception of securities with a forward starting effective date, where interest income is recorded on the accrual basis from effective date. For convertible securities, premiums attributable to the conversion feature are not amortized. Estimated tax liabilities on certain foreign securities are recorded on an accrual basis and are reflected as components of interest income or net change in unrealized appreciation (depreciation) on investments on the Statement of Operations, as appropriate. Tax liabilities realized as a result of such security sales are reflected as a component of net realized gain (loss) on investments on the Statement of Operations. Paydown gains (losses) on mortgage-related and other asset-backed securities, if any, are recorded as components of interest income on the Statement of Operations. Income or short-term capital gain distributions received from registered investment companies, if any, are recorded as dividend income. Long-term capital gain distributions received from registered investment companies, if any, are recorded as realized gains.

Debt obligations may be placed on non-accrual status and related interest income may be reduced by ceasing current accruals and writing off interest receivable when the collection of all or a portion of interest has become doubtful based on consistently applied procedures. A debt obligation is removed from non-accrual status when the issuer resumes interest payments or when collectability of interest is probable.

(b) Foreign Currency Translation The market values of foreign securities, currency holdings and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the current exchange rates each business day. Purchases and sales of securities and income and expense items denominated in foreign currencies, if any, are translated into U.S. dollars at the exchange rate in effect on the transaction date. The Portfolio does not separately report the effects of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized gain (loss) and net change in unrealized appreciation (depreciation) from investments on the Statement of Operations. The Portfolio may invest in foreign currency-denominated securities and may engage in foreign currency transactions either on a spot (cash) basis at the rate prevailing in the currency exchange market at the time or through a forward foreign currency contract. Realized foreign exchange gains (losses) arising from sales of spot foreign currencies, currency gains (losses) realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid are included in net realized gain (loss) on foreign currency transactions on the Statement of Operations. Net unrealized foreign exchange gains (losses) arising from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period are included in net change in unrealized appreciation (depreciation) on foreign currency assets and liabilities on the Statement of Operations.

(c) Multi-Class Operations Each class offered by the Trust has equal rights as to assets and voting privileges (except that shareholders of a class have exclusive voting rights regarding any matter relating solely to that class of shares). Income and non-class specific expenses are allocated daily to each class on the basis of the relative net assets. Realized and unrealized capital gains (losses) are allocated daily based on the relative net assets of each class of the Portfolio. Class specific expenses, where applicable, currently include supervisory and administrative and distribution and servicing fees. Under certain circumstances, the per share net asset value ("NAV") of a class of the Portfolio's shares may be different from the per share NAV of another class of shares as a result of the different daily expense accruals applicable to each class of shares.

(d) Distributions to Shareholders Distributions from net investment income, if any, are declared daily and distributed to shareholders monthly. Net realized capital gains earned by the Portfolio, if any, will be distributed no less frequently than once each year.

Income distributions and capital gain distributions are determined in accordance with income tax regulations which may differ from U.S. GAAP. Differences between tax regulations and U.S. GAAP may cause timing differences between income and capital gain recognition. Further, the character of investment income and capital gains may be different for certain transactions under the two methods of accounting. As a result, income distributions and capital gain distributions declared during a fiscal period may differ significantly from the net investment income (loss) and realized gains (losses) reported on the Portfolio's annual financial statements presented under U.S. GAAP.

If the Portfolio estimates that a portion of its distribution may be comprised of amounts from sources other than net investment income in accordance with its policies and good accounting practices, the Portfolio will notify shareholders of the estimated composition of such distribution through a Section 19 Notice. For these purposes, the Portfolio estimates the source or sources from which a distribution is paid, to the close of the period as of which it is paid, in reference to its internal accounting records and related accounting practices. If, based on such accounting records and practices, it is estimated that a particular distribution does not include capital gains or paid-in surplus or other capital sources, a Section 19 Notice generally would not be issued. It is important to note that differences exist between the Portfolio's daily internal accounting records and practices, the Portfolio's financial statements presented in accordance with U.S. GAAP, and recordkeeping practices under income tax regulations. For instance, the Portfolio's internal accounting records and practices may take into account, among other factors, tax-related characteristics of certain sources of distributions that differ from treatment under U.S. GAAP. Examples of such differences may include, among others, the treatment of paydowns on mortgage-backed securities purchased at a discount and periodic payments under interest rate swap contracts. Accordingly, among other consequences, it is possible that the Portfolio may not issue a Section 19 Notice in situations where the Portfolio's financial statements prepared later and in accordance with U.S. GAAP and/or the final tax character of those distributions might later report that the sources of those distributions included capital gains and/or a return of capital. Final determination of a distribution's tax character will be provided to shareholders when such information is available.

Distributions classified as a tax basis return of capital, if any, are reflected on the Statements of Changes in Net Assets and have been recorded to paid in capital on the Statement of Assets and Liabilities. In addition, other amounts have been reclassified between distributable earnings (accumulated loss) and paid in capital on the Statement of Assets and Liabilities to more appropriately conform U.S. GAAP to tax characterizations of distributions.

(e) New Accounting Pronouncements In August 2016, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU"), ASU 2016-15, which amends Accounting Standards Codification ("ASC") 230 to clarify guidance on the classification of certain cash receipts and cash payments in the Statement of Cash Flows. The ASU is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. The Portfolio has adopted the ASU. The implementation of the ASU did not have an impact on the Portfolio's financial statements.

In November 2016, the FASB issued ASU 2016-18 which amends ASC 230 to provide guidance on the classification and presentation of changes in restricted cash and restricted cash equivalents on the Statement of Cash Flows. The ASU is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. The Portfolio has adopted the ASU. The implementation of the ASU did not have an impact on the Portfolio's financial statements.

In March 2017, the FASB issued ASU 2017-08 which provides guidance related to the amortization period for certain purchased callable debt securities held at a premium. The ASU is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods. The Portfolio has adopted the ASU. The implementation of the ASU did not have an impact on the Portfolio's financial statements.

In August 2018, the FASB issued ASU 2018-13 which modifies certain disclosure requirements for fair value measurements in ASC 820. The ASU is effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods. At this time, management has elected to early adopt the amendments that allow for removal of certain disclosure requirements. Management plans to adopt the amendments that require additional fair value measurement disclosures for annual periods beginning after December 15, 2019, and interim periods within those annual periods. Management is currently evaluating the impact of these changes on the financial statements.

In August 2018, the U.S. Securities and Exchange Commission ("SEC") adopted amendments to certain rules and forms for the purpose of disclosure update and simplification. The compliance date for these amendments is 30 days after date of publication in the Federal Register, which was on October 4, 2018. Management has adopted these amendments and the changes are incorporated throughout all periods presented in the financial statements.

3. INVESTMENT VALUATION AND FAIR VALUE MEASUREMENTS

(a) Investment Valuation Policies The price of the Portfolio's shares is based on the Portfolio's NAV. The NAV of the Portfolio, or each of its share classes, as applicable, is determined by dividing the total value of portfolio investments and other assets, less any liabilities attributable to the Portfolio or class, by the total number of shares outstanding of the Portfolio or class.

On each day that the New York Stock Exchange ("NYSE") is open, Portfolio shares are ordinarily valued as of the close of regular trading ("NYSE Close"). Information that becomes known to the Portfolio or its agents after the time as of which NAV has been calculated on a particular day will not generally be used to retroactively adjust the price of a security or the NAV determined earlier that day. The Portfolio reserves the right to change the time as of which its NAV is calculated if the Portfolio closes earlier, or as permitted by the SEC.

For purposes of calculating a NAV, portfolio securities and other assets for which market quotes are readily available are valued at market value. Market value is generally determined on the basis of official closing prices or the last reported sales prices, or if no sales are reported, based on quotes obtained from established market makers or prices (including evaluated prices) supplied by the Portfolio's approved pricing services, quotation reporting systems and other third-party sources (together, "Pricing Services"). The Portfolio will normally use pricing data for domestic equity securities received shortly after the NYSE Close and does not normally take into account trading, clearances or settlements that take place after the NYSE Close. If market value pricing is used, a foreign (non-U.S.) equity security traded on a foreign exchange or on more than one exchange is typically valued using pricing information from the exchange considered by the Adviser to be the primary exchange. A foreign (non-U.S.) equity security will be valued as of the close of trading on the foreign exchange, or the NYSE Close, if the NYSE Close occurs before the end of trading on the foreign exchange. Domestic and foreign (non-U.S.) fixed income securities, non-exchange traded derivatives, and equity options are normally valued on the basis of quotes obtained from brokers and dealers or Pricing Services using data reflecting the earlier closing of the principal markets for those securities. Prices obtained from Pricing Services may be based on, among other things, information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics. Certain fixed income securities purchased on a delayed-delivery basis are marked to market daily until settlement at the forward settlement date. Exchange-traded options, except equity options, futures and options on futures are valued at the settlement price determined by the relevant exchange. Swap agreements are valued on the basis of bid quotes obtained from brokers and dealers or market-based prices supplied by Pricing Services. The Portfolio's investments in open-end management investment companies, other than exchange-traded funds ("ETFs"), are valued at the NAVs of such investments. Open-end management investment companies may include affiliated funds.

If a foreign (non-U.S.) equity security's value has materially changed after the close of the security's primary exchange or principal market but before the NYSE Close, the security may be valued at fair value based on procedures established and approved by the Board of Trustees of the Trust (the "Board"). Foreign (non-U.S.) equity securities that do not trade when the NYSE is open are also valued at fair value. With respect to foreign (non-U.S.) equity securities, the Portfolio may determine the fair value of investments based on information provided by Pricing Services and other third-party vendors, which may recommend fair value or adjustments with reference to other securities, indices or assets. In considering whether fair valuation is required and in determining fair values, the Portfolio may, among other things, consider significant events (which may be considered to include changes in the value of U.S. securities or securities indices) that occur after the close of the relevant market and before the NYSE Close. The Portfolio may utilize modeling tools provided by third-party vendors to determine fair values of foreign (non-U.S.) securities. For these purposes, any movement in the applicable reference index or instrument ("zero trigger") between the earlier close of the applicable foreign market and the NYSE Close may be deemed to be a significant event, prompting the application of the pricing model (effectively resulting in daily fair valuations). Foreign exchanges may permit trading in foreign (non-U.S.) equity securities on days when the Trust is not open for business, which may result in the Portfolio's portfolio investments being affected when shareholders are unable to buy or sell shares.

Senior secured floating rate loans for which an active secondary market exists to a reliable degree will be valued at the mean of the last available bid/ask prices in the market for such loans, as provided by a Pricing Service. Senior secured floating rate loans for which an active secondary market does not exist to a reliable degree will be valued at fair value, which is intended to approximate market value. In valuing a senior secured floating rate loan at fair value, the factors considered may include, but are not limited to, the following: (a) the creditworthiness of the borrower and any intermediate participants, (b) the terms of the loan, (c) recent prices in the market for similar loans, if any, and (d) recent prices in the market for instruments of similar quality, rate, period until next interest rate reset and maturity.

Investments valued in currencies other than the U.S. dollar are converted to the U.S. dollar using exchange rates obtained from Pricing Services. As a result, the value of such investments and, in turn, the NAV of the Portfolio's shares may be affected by changes in the value of currencies in relation to the U.S. dollar. The value of investments traded in markets outside the United States or denominated in currencies other than the U.S. dollar may be affected significantly on a day that the Trust is not open for business. As a result, to the extent that the Portfolio holds foreign (non-U.S.) investments, the value of those investments may change at times when shareholders are unable to buy or sell shares and the value of such investments will be reflected in the Portfolio's next calculated NAV.

Investments for which market quotes or market based valuations are not readily available are valued at fair value as determined in good faith by the Board or persons acting at their direction. The Board has adopted methods for valuing securities and other assets in circumstances where market quotes are not readily available, and has delegated to the Adviser the responsibility for applying the fair valuation methods. In the event that market quotes or market based valuations are not readily available, and the security or asset cannot be valued pursuant to a Board approved valuation method, the value of the security or asset will be determined in good faith by the Board. Market quotes are considered not readily available in circumstances where there is an absence of current or reliable market-based data (e.g., trade information, bid/ask information, indicative market quotations ("Broker Quotes"), Pricing Services' prices), including where events occur after the close of the relevant market, but prior to the NYSE Close, that materially affect the values of the Portfolio's securities or assets. In addition, market quotes are considered not readily available when, due to extraordinary circumstances, the exchanges or markets on which the securities trade do not open for trading for the entire day and no other market prices are available. The Board has delegated, to the Adviser, the responsibility for monitoring significant events that may materially affect the values of the Portfolio's securities or assets and for determining whether the value of the applicable securities or assets should be reevaluated in light of such significant events.

When the Portfolio uses fair valuation to determine the value of a portfolio security or other asset for purposes of calculating its NAV, such investments will not be priced on the basis of quotes from the primary market in which they are traded, but rather may be priced by another method that the Board or persons acting at their direction believe reflects fair value. Fair valuation may require subjective determinations about the value of a security. While the Trust's policy is intended to result in a calculation of the Portfolio's NAV that fairly reflects security values as of the time of pricing, the Trust cannot ensure that fair values determined by the Board or persons acting at their direction would accurately reflect the price that the Portfolio could obtain for a security if it were to dispose of that security as of the time of pricing (for instance, in a forced or distressed sale). The prices used by the Portfolio may differ from the value that would be realized if the securities were sold. The Portfolio's use of fair valuation may also help to deter "stale price arbitrage" as discussed under the "Frequent or Excessive Purchases, Exchanges and Redemptions" section in the Portfolio's prospectus.

(b) Fair Value Hierarchy U.S. GAAP describes fair value as the price that the Portfolio would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. It establishes a fair value hierarchy that prioritizes inputs to valuation methods and requires disclosure of the fair value hierarchy, separately for each major category of assets and liabilities, that segregates fair value measurements into levels (Level 1, 2, or 3). The inputs or methodology used for valuing securities are not necessarily an indication of the risks associated with investing in those securities. Levels 1, 2, and 3 of the fair value hierarchy are defined as follows:

- Level 1 — Quoted prices in active markets or exchanges for identical assets and liabilities.
- Level 2 — Significant other observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market corroborated inputs.
- Level 3 — Significant unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available, which may include assumptions made by the Board or persons acting at their direction that are used in determining the fair value of investments.

In accordance with the requirements of U.S. GAAP, the amounts of transfers into and out of Level 3, if material, are disclosed in the Notes to Schedule of Investments for the Portfolio.

For fair valuations using significant unobservable inputs, U.S. GAAP requires a reconciliation of the beginning to ending balances for reported fair values that presents changes attributable to realized gain (loss), unrealized appreciation (depreciation), purchases and sales, accrued discounts (premiums), and transfers into and out of the Level 3 category during the period. The end of period value is used for the transfers between Levels of the Portfolio's assets and liabilities. Additionally, U.S. GAAP requires quantitative information regarding the significant unobservable inputs used in the determination of fair value of assets or liabilities categorized as Level 3 in the fair value hierarchy. In accordance with the requirements of U.S. GAAP, a fair value hierarchy, and if material, a Level 3 reconciliation and details of significant unobservable inputs, have been included in the Notes to Schedule of Investments for the Portfolio.

(c) Valuation Techniques and the Fair Value Hierarchy

Level 1 and Level 2 trading assets and trading liabilities, at fair value The valuation methods (or "techniques") and significant inputs used in determining the fair values of portfolio securities or other assets and liabilities categorized as Level 1 and Level 2 of the fair value hierarchy are as follows:

Fixed income securities including corporate, convertible and municipal bonds and notes, U.S. government agencies, U.S. treasury obligations, sovereign issues, bank loans, convertible preferred securities and non-U.S. bonds are normally valued on the basis of quotes obtained from brokers and dealers or Pricing Services that use broker-dealer quotations, reported trades or valuation estimates from their internal pricing models. The Pricing Services' internal models use inputs that are observable such as issuer details, interest rates, yield curves, prepayment speeds, credit risks/spreads, default rates and quoted prices for similar assets. Securities that use similar valuation techniques and inputs as described above are categorized as Level 2 of the fair value hierarchy.

Fixed income securities purchased on a delayed-delivery basis or as a repurchase commitment in a sale-buyback transaction are marked to market daily until settlement at the forward settlement date and are categorized as Level 2 of the fair value hierarchy.

Mortgage-related and asset-backed securities are usually issued as separate tranches, or classes, of securities within each deal. These securities are also normally valued by Pricing Services that use broker-dealer quotations, reported trades or valuation estimates from their internal pricing models. The pricing models for these securities usually consider tranche-level attributes, current market data, estimated cash flows and market-based yield spreads for each tranche, and incorporate deal collateral performance, as available. Mortgage-related and asset-backed securities that use similar valuation techniques and inputs as described above are categorized as Level 2 of the fair value hierarchy.

Common stocks, ETFs, exchange-traded notes and financial derivative instruments, such as futures contracts, rights and warrants, or options on futures that are traded on a national securities exchange, are stated at the last reported sale or settlement price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized as Level 1 of the fair value hierarchy.

Valuation adjustments may be applied to certain securities that are solely traded on a foreign exchange to account for the market movement between the close of the foreign market and the NYSE Close. These securities are valued using Pricing Services that consider the correlation of the trading patterns of the foreign security to the intraday trading in the U.S. markets for investments. Securities using these valuation adjustments are categorized as Level 2 of the fair value hierarchy. Preferred securities and other equities traded on inactive markets or valued by reference to similar instruments are also categorized as Level 2 of the fair value hierarchy.

Investments in registered open-end investment companies (other than ETFs) will be valued based upon the NAVs of such investments and are categorized as Level 1 of the fair value hierarchy. Investments in unregistered open-end investment companies will be calculated based upon the NAVs of such investments and are considered Level 1 provided that the NAVs are observable, calculated daily and are the value at which both purchases and sales will be conducted.

Equity exchange-traded options and over the counter financial derivative instruments, such as forward foreign currency contracts and options contracts derive their value from underlying asset prices, indices, reference rates, and other inputs or a combination of these factors. These contracts are normally valued on the basis of quotes obtained from a quotation reporting system, established market makers or Pricing Services (normally determined as of the NYSE Close). Depending on the product and the terms of the transaction, financial derivative instruments can be valued by Pricing Services using a series of techniques, including simulation pricing models. The pricing models use inputs that are observed from actively quoted markets such as quoted prices, issuer details, indices, bid/ask spreads, interest rates, implied volatilities, yield curves, dividends and exchange rates. Financial derivative instruments that use similar valuation techniques and inputs as described above are categorized as Level 2 of the fair value hierarchy.

Centrally cleared swaps and over the counter swaps derive their value from underlying asset prices, indices, reference rates, and other inputs or a combination of these factors. They are valued using a broker-dealer bid quotation or on market-based prices provided by Pricing Services (normally determined as of the NYSE close). Centrally cleared

swaps and over the counter swaps can be valued by Pricing Services using a series of techniques, including simulation pricing models. The pricing models may use inputs that are observed from actively quoted markets such as the overnight index swap rate ("OIS"), London Interbank Offered Rate ("LIBOR") forward rate, interest rates, yield curves and credit spreads. These securities are categorized as Level 2 of the fair value hierarchy.

Level 3 trading assets and trading liabilities, at fair value When a fair valuation method is applied by the Adviser that uses significant unobservable inputs, investments will be priced by a method that the Board or persons acting at their direction believe reflects fair value and are categorized as Level 3 of the fair value hierarchy.

Short-term debt instruments (such as commercial paper) having a remaining maturity of 60 days or less may be valued at amortized cost, so long as the amortized cost value of such short-term debt instruments is approximately the same as the fair value of the instrument as determined without the use of amortized cost valuation. These securities are categorized as Level 2 or Level 3 of the fair value hierarchy depending on the source of the base price.

4. SECURITIES AND OTHER INVESTMENTS

(a) Investments in Affiliates

The Portfolio may invest in the PIMCO Short Asset Portfolio and the PIMCO Short-Term Floating NAV Portfolio III ("Central Funds") to the extent permitted by the Act and rules thereunder. The Central Funds are registered investment companies created for use solely by the series of the Trust and other series of registered investment companies advised by the Adviser, in connection with their cash management activities. The main investments of the Central Funds are money market and short maturity fixed income instruments. The Central Funds may incur expenses related to their investment activities, but do not pay Investment Advisory Fees or Supervisory and Administrative Fees to the Adviser. The Central Funds are considered to be affiliated with the Portfolio. The tables below show the Portfolio's transactions in and earnings from investments in the affiliated Funds for the period ended December 31, 2018 (amounts in thousands†):

Investment in PIMCO Short Asset Portfolio

Market Value 12/31/2017	Purchases at Cost	Proceeds from Sales	Net Realized Gain (Loss)	Change in Unrealized Appreciation (Depreciation)	Market Value 12/31/2018	Dividend Income(1)	Realized Net Capital Gain Distributions(1)
$ 3,307	$ 95	$ 0	$ 0	$ (30)	$ 3,372	$ 91	$ 4

Investment in PIMCO Short-Term Floating NAV Portfolio III

Market Value 12/31/2017	Purchases at Cost	Proceeds from Sales	Net Realized Gain (Loss)	Change in Unrealized Appreciation (Depreciation)	Market Value 12/31/2018	Dividend Income(1)	Realized Net Capital Gain Distributions(1)
$ 4,818	$ 92,765	$ (97,570)	$ 2	$ (2)	$ 13	$ 65	$ 0

† A zero balance may reflect actual amounts rounding to less than one thousand.

(1) The tax characterization of distributions is determined in accordance with Federal income tax regulations and may contain a return of capital. The actual tax characterization of distributions received is determined at the end of the fiscal year of the affiliated fund. See Note 2, Distributions to Shareholders, in the Notes to Financial Statements for more information.

(b) Investments in Securities

The Portfolio may utilize the investments and strategies described below to the extent permitted by the Portfolio's investment policies.

Inflation-Indexed Bonds are fixed income securities whose principal value is periodically adjusted by the rate of inflation. The interest rate on these bonds is generally fixed at issuance at a rate lower than typical bonds. Over the life of an inflation-indexed bond, however, interest will be paid based on a principal value which is adjusted for inflation. Any increase or decrease in the principal amount of an inflation-indexed bond will be included as interest income on the Statement of Operations, even though investors do not receive their principal until maturity. Repayment of the original bond principal upon maturity (as adjusted for inflation) is guaranteed in the case of U.S. Treasury Inflation-Protected Securities ("TIPS"). For bonds that do not provide a similar guarantee, the adjusted principal value of the bond repaid at maturity may be less than the original principal.

Loans and Other Indebtedness, Loan Participations and Assignments are direct debt instruments which are interests in amounts owed to lenders or lending syndicates by corporate, governmental, or other borrowers. The Portfolio's investments in loans may be in the form of participations in loans or assignments of all or a portion of loans from third parties or investments in or originations of loans by the Portfolio. A loan is often administered by a bank or other financial institution (the "agent") that acts as agent for all holders. The agent administers the terms of the loan, as specified in the loan agreement. The Portfolio may invest in multiple series or tranches of a loan, which may have varying terms and carry different associated risks. When the Portfolio purchases assignments from agents it acquires direct rights against the borrowers of the loans. These loans may include participations in bridge loans, which are loans taken out by borrowers for a short period (typically less than one year) pending arrangement of more permanent financing through, for example, the issuance of bonds, frequently high yield bonds issued for the purpose of acquisitions.

The types of loans and related investments in which the Portfolio may invest include, among others, senior loans, subordinated loans (including second lien loans, B-Notes and mezzanine loans), whole loans, commercial real estate and other commercial loans and structured loans. The Portfolio may originate loans or acquire direct interests in loans through primary loan distributions and/or in private transactions. In the case of subordinated loans, there may be significant indebtedness ranking ahead of the borrower's obligation to the holder of such a loan, including in the event of the borrower's insolvency. Mezzanine loans are typically secured by a pledge of an equity interest in the mortgage borrower that owns the real estate rather than an interest in a mortgage.

Investments in loans may include unfunded loan commitments, which are contractual obligations for funding. Unfunded loan commitments may include revolving credit facilities, which may obligate the Portfolio to supply additional cash to the borrower on demand. Unfunded loan commitments represent a future obligation in full, even though a percentage of the committed amount may not be utilized by the borrower. When investing in a loan participation, the Portfolio has the right to receive payments of principal, interest and any fees to which it is entitled only from the agent selling the loan agreement and only upon receipt of payments by the agent from the borrower. The Portfolio may receive a commitment fee based on the undrawn portion of the underlying line of credit portion of a loan. In certain circumstances, the Portfolio may receive a penalty fee upon the prepayment of a loan by a borrower. Fees earned or paid are recorded as a component of interest income or interest expense, respectively, on the Statement of Operations. Unfunded loan commitments are reflected as a liability on the Statement of Assets and Liabilities.

Mortgage-Related and Other Asset-Backed Securities directly or indirectly represent a participation in, or are secured by and payable from, loans on real property. Mortgage-related securities are created from pools of residential or commercial mortgage loans, including mortgage loans made by savings and loan institutions, mortgage bankers, commercial banks and others. These securities provide a monthly payment which consists of both interest and principal. Interest may be determined by fixed or adjustable rates. The rate of prepayments on underlying mortgages will affect the price and volatility of a mortgage-related security, and may have the effect of shortening or extending the effective duration of the security relative to what was anticipated at the time of purchase. The timely payment of principal and interest of certain mortgage-related securities is guaranteed with the full faith and credit of the U.S. Government. Pools created and guaranteed by non-governmental issuers, including government-sponsored corporations, may be supported by various forms of insurance or guarantees, but there can be no assurance that private insurers or guarantors can meet their obligations under the insurance policies or guarantee arrangements. Many of the risks of investing in mortgage-related securities secured by commercial mortgage loans reflect the effects of local and other economic conditions on real estate markets, the ability of tenants to make lease payments, and the ability of a property to attract and retain tenants. These securities may be less liquid and may exhibit greater price volatility than other types of mortgage-related or other asset-backed securities. Other asset-backed securities are created from many types of assets, including, but not limited to, auto loans, accounts receivable, such as credit card receivables and hospital account receivables, home equity loans, student loans, boat loans, mobile home loans, recreational vehicle loans, manufactured housing loans, aircraft leases, computer leases and syndicated bank loans.

Collateralized Debt Obligations ("CDOs") include Collateralized Bond Obligations ("CBOs"), Collateralized Loan Obligations ("CLOs") and other similarly structured securities. CBOs and CLOs are types of asset-backed securities. A CBO is a trust which is backed by a diversified pool of high risk, below investment grade fixed income securities. A CLO is a trust typically collateralized by a pool of loans, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans, and subordinate corporate loans, including loans that may be rated below investment grade or equivalent unrated loans. The risks of an investment in a CDO depend largely on the type of the collateral securities and the class of the CDO in which the Portfolio invests. In addition to the normal risks associated with fixed income securities discussed elsewhere in this report and the Portfolio's prospectus and statement of additional information (e.g., prepayment risk, credit risk, liquidity risk, market risk, structural risk, legal risk and interest rate risk (which may be exacerbated if the interest rate payable on a structured financing changes based on multiples of changes in interest rates or inversely to changes in interest rates)), CBOs, CLOs and other CDOs carry additional risks including, but not limited to, (i) the possibility that distributions from collateral securities will not be adequate to make interest or other payments, (ii) the quality of the collateral may decline in value or default, (iii) the risk that the Portfolio may invest in CBOs, CLOs, or other CDOs that are subordinate to other classes, and (iv) the complex structure of the security may not be fully understood at the time of investment and may produce disputes with the issuer or unexpected investment results.

Collateralized Mortgage Obligations ("CMOs") are debt obligations of a legal entity that are collateralized by whole mortgage loans or private mortgage bonds and divided into classes. CMOs are structured into multiple classes, often referred to as "tranches", with each class bearing a different stated maturity and entitled to a different schedule for payments of principal and interest, including prepayments. CMOs may be less liquid and may exhibit greater price volatility than other types of mortgage-related or asset-backed securities.

Stripped Mortgage-Backed Securities ("SMBS") are derivative multi-class mortgage securities. SMBS are usually structured with two classes that receive different proportions of the interest and principal distributions on a pool of mortgage assets. An SMBS will have one class that will receive all of the interest (the interest-only or "IO" class), while the other class will receive the entire principal (the principal-only or "PO" class). Payments received for IOs are included in interest income on the Statement of Operations. Because no principal will be received at the maturity of an IO, adjustments are made to the cost of the security on a monthly basis until maturity. These adjustments are included in interest income on the Statement of Operations. Payments received for POs are treated as reductions to the cost and par value of the securities.

Perpetual Bonds are fixed income securities with no maturity date but pay a coupon in perpetuity (with no specified ending or maturity date). Unlike typical fixed income securities, there is no obligation for perpetual bonds to repay principal. The coupon payments, however, are mandatory. While perpetual bonds have no maturity date, they may have a callable date in which the perpetuity is eliminated and the issuer may return the principal received on the specified call date. Additionally, a perpetual bond may have additional features, such as interest rate increases at periodic dates or an increase as of a predetermined point in the future.

Restricted Investments are subject to legal or contractual restrictions on resale and may generally be sold privately, but may be required to be registered or exempted from such registration before being sold to the public. Private placement securities are generally considered to be restricted except for those securities traded between qualified institutional investors under the provisions of Rule 144A of the Securities Act of 1933. Disposal of restricted investments may involve time-consuming negotiations and expenses, and prompt sale at an acceptable price may be difficult to achieve. Restricted investments held by the Portfolio at December 31, 2018 are disclosed in the Notes to Schedule of Investments.

Securities Issued by U.S. Government Agencies or Government-Sponsored Enterprises are obligations of and, in certain cases, guaranteed by, the U.S. Government, its agencies or instrumentalities. Some U.S. Government securities, such as Treasury bills, notes and bonds, and securities guaranteed by the Government National Mortgage Association ("GNMA" or "Ginnie Mae"), are supported by the full faith and credit of the U.S. Government; others, such as those of the Federal Home Loan Banks, are supported by the right of the issuer to borrow from the U.S. Department of the Treasury (the "U.S. Treasury"); and others, such as those of the Federal National Mortgage Association ("FNMA" or "Fannie Mae"), are supported by the discretionary authority of the U.S. Government to purchase the agency's obligations. U.S. Government securities may include zero coupon securities. Zero coupon securities do not distribute interest on a current basis and tend to be subject to a greater risk than interest-paying securities.

Government-related guarantors (*i.e.*, not backed by the full faith and credit of the U.S. Government) include FNMA and the Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac"). FNMA is a government-sponsored corporation. FNMA purchases conventional (*i.e.*, not insured or guaranteed by any government agency) residential mortgages from a list of approved seller/servicers which include state and federally chartered savings and loan associations, mutual savings banks, commercial banks and credit unions and mortgage bankers. Pass-through securities issued by FNMA are guaranteed as to timely payment of principal and interest by FNMA, but are not backed by the full faith and credit of the U.S. Government. FHLMC issues Participation Certificates ("PCs"), which are pass-through securities, each representing an undivided interest in a pool of residential mortgages. FHLMC guarantees the timely payment of interest and ultimate collection of principal, but PCs are not backed by the full faith and credit of the U.S. Government.

Roll-timing strategies can be used where the Portfolio seeks to extend the expiration or maturity of a position, such as a TBA security on an underlying asset, by closing out the position before expiration and opening a new position with respect to substantially the same underlying asset with a later expiration date. TBA securities purchased or sold are reflected on the Statement of Assets and Liabilities as an asset or liability, respectively.

When-Issued Transactions are purchases or sales made on a when-issued basis. These transactions are made conditionally because a security, although authorized, has not yet been issued in the market. Transactions to purchase or sell securities on a when-issued basis involve a commitment by the Portfolio to purchase or sell these securities for a predetermined price or yield, with payment and delivery taking place beyond the customary settlement period. The Portfolio may sell when-issued securities before they are delivered, which may result in a realized gain (loss).

5. BORROWINGS AND OTHER FINANCING TRANSACTIONS

The Portfolio may enter into the borrowings and other financing transactions described below to the extent permitted by the Portfolio's investment policies.

The following disclosures contain information on the Portfolio's ability to lend or borrow cash or securities to the extent permitted under the Act, which may be viewed as borrowing or financing transactions by the Portfolio. The location of these instruments in the Portfolio's financial statements is described below.

(a) Repurchase Agreements Under the terms of a typical repurchase agreement, the Portfolio purchases an underlying debt obligation (collateral) subject to an obligation of the seller to repurchase, and the Portfolio to resell, the obligation at an agreed-upon price and time. In an open maturity repurchase agreement, there is no pre-determined repurchase date and the agreement can be terminated by the Portfolio or counterparty at any time. The underlying securities for all repurchase agreements are held by the Portfolio's custodian or designated subcustodians under tri-party repurchase agreements and in certain instances will remain in custody with the counterparty. The market value of the collateral must be equal to or exceed the total amount of the repurchase obligations, including interest. Repurchase agreements, if any, including accrued interest, are included on the Statement of Assets and Liabilities. Interest earned is recorded as a component of interest income on the Statement of Operations. In periods of increased demand for collateral, the Portfolio may pay a fee for the receipt of collateral, which may result in interest expense to the Portfolio.

(b) Reverse Repurchase Agreements In a reverse repurchase agreement, the Portfolio delivers a security in exchange for cash to a financial institution, the counterparty, with a simultaneous agreement to repurchase the same or substantially the same security at an agreed upon price and date. In an open maturity reverse repurchase agreement, there is no pre-determined repurchase date and the agreement can be terminated by the Portfolio or counterparty at any time. The Portfolio is entitled to receive principal and interest payments, if any, made on the security delivered to the counterparty during the term of the agreement. Cash received in exchange for securities delivered plus accrued interest payments to be made by the Portfolio to counterparties are reflected as a liability on the Statement of Assets and Liabilities. Interest payments made by the Portfolio to counterparties are recorded as a component of interest expense on the Statement of Operations. In periods of increased demand for the security, the Portfolio may receive a fee for use of the security by the counterparty, which may result in interest income to the Portfolio. The Portfolio will segregate assets determined to be liquid by the Adviser or will otherwise cover its obligations under reverse repurchase agreements.

(c) Sale-Buybacks A sale-buyback financing transaction consists of a sale of a security by the Portfolio to a financial institution, the counterparty, with a simultaneous agreement to repurchase the same or substantially the same security at an agreed-upon price and date. The Portfolio is not entitled to receive principal and interest payments, if any, made on the security sold to the counterparty during the term of the agreement. The agreed-upon proceeds for securities to be repurchased by the Portfolio are reflected as a liability on the Statement of Assets and Liabilities. The Portfolio will recognize net income represented by the price differential between the price received for the transferred security and the agreed-upon repurchase price. This is commonly referred to as the 'price drop'. A price drop consists of (i) the foregone interest and inflationary income adjustments, if any, the Portfolio would have otherwise received had the security not been sold and (ii) the negotiated financing terms between the Portfolio and counterparty. Foregone interest and inflationary income adjustments, if any, are recorded as components of interest income on the Statement of Operations. Interest payments based upon negotiated financing terms made by the Portfolio to counterparties are recorded as a component of interest expense on the Statement of Operations. In periods of increased demand for the security, the Portfolio may receive a fee for use of the security by the counterparty, which may result in interest income to the Portfolio. The Portfolio will segregate assets determined to be liquid by the Adviser or will otherwise cover its obligations under sale-buyback transactions.

(d) Short Sales Short sales are transactions in which the Portfolio sells a security that it may not own. The Portfolio may make short sales of securities to (i) offset potential declines in long positions in similar securities, (ii) to increase the flexibility of the Portfolio, (iii) for investment return, (iv) as part of a risk arbitrage strategy, and (v) as part of its overall portfolio management strategies involving the use of derivative instruments. When the Portfolio engages in a short sale, it may borrow the security sold short and deliver it to the counterparty. The Portfolio will ordinarily have to pay a fee or premium to borrow a security and be obligated to repay the lender of the security any dividend or interest that accrues on the security during the period of the loan. Securities sold in short sale transactions and the dividend or interest payable on such securities, if any, are reflected as payable for short sales on the Statement of Assets and Liabilities. Short sales expose the Portfolio to the risk that it will be required to cover its short position at a time when the security or other asset has appreciated in value, thus resulting in losses to the Portfolio. A short sale is "against the box" if the Portfolio holds in its portfolio or has the right to acquire the security sold short, or securities identical to the security sold short, at no additional cost. The Portfolio will be subject to additional risks to the extent that it engages in short sales that are not "against the box."

The Portfolio's loss on a short sale could theoretically be unlimited in cases where the Portfolio is unable, for whatever reason, to close out its short position.

6. FINANCIAL DERIVATIVE INSTRUMENTS

The Portfolio may enter into the financial derivative instruments described below to the extent permitted by the Portfolio's investment policies.

The following disclosures contain information on how and why the Portfolio uses financial derivative instruments, and how financial derivative instruments affect the Portfolio's financial position, results of operations and cash flows. The location and fair value amounts of these instruments on the Statement of Assets and Liabilities and the net realized gain (loss) and net change in unrealized appreciation (depreciation) on the Statement of Operations, each categorized by type of financial derivative contract and related risk exposure, are included in a table in the Notes to Schedule of Investments. The financial derivative instruments outstanding as of period end and the amounts of net realized gain (loss) and net change in unrealized appreciation (depreciation) on financial derivative instruments during the period, as disclosed in the Notes to Schedule of Investments, serve as indicators of the volume of financial derivative activity for the Portfolio.

(a) Forward Foreign Currency Contracts may be engaged, in connection with settling planned purchases or sales of securities, to hedge the currency exposure associated with some or all of the Portfolio's securities or as part of an investment strategy. A forward foreign currency contract is an agreement between two parties to buy and sell a currency at a set price on a future date. The market value of a forward foreign currency contract fluctuates with changes in foreign currency exchange rates. Forward foreign currency contracts are marked to market daily, and the change in value is recorded by the Portfolio as an unrealized gain (loss). Realized gains (losses) are equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed and are recorded upon delivery or receipt of the currency. These contracts may involve market risk in excess of the unrealized gain (loss) reflected on the Statement of Assets and Liabilities. In addition, the Portfolio could be exposed to risk if the counterparties are unable to meet the terms of the contracts or if the value of the currency changes unfavorably to the U.S. dollar. To mitigate such risk, cash or securities may be exchanged as collateral pursuant to the terms of the underlying contracts.

(b) Futures Contracts are agreements to buy or sell a security or other asset for a set price on a future date. The Portfolio may use futures contracts to manage its exposure to the securities markets or to movements in interest rates and currency values. The primary risks associated with the use of futures contracts are the imperfect correlation between the change in market value of the securities held by the Portfolio and the prices of futures contracts and the possibility of an illiquid market. Futures contracts are valued based upon their quoted daily settlement prices. Upon entering into a futures contract, the Portfolio is required to deposit with its futures broker an amount of cash, U.S. Government and Agency Obligations, or select sovereign debt, in accordance with the initial margin requirements of the broker or exchange. Futures contracts are marked to market daily and based on such movements in the price of the contracts, an appropriate payable or receivable for the change in value may be posted or collected by the Portfolio ("Futures Variation Margin"). Gains (losses) are recognized but not considered realized until the contracts expire or close. Futures contracts involve, to varying degrees, risk of loss in excess of the Futures Variation Margin included within exchange traded or centrally cleared financial derivative instruments on the Statement of Assets and Liabilities.

(c) Options Contracts may be written or purchased to enhance returns or to hedge an existing position or future investment. The Portfolio may write call and put options on securities and financial derivative instruments it owns or in which it may invest. Writing put options tends to increase the Portfolio's exposure to the underlying instrument. Writing call options tends to decrease the Portfolio's exposure to the underlying instrument. When the Portfolio writes a call or put, an amount equal to the premium received is recorded and subsequently marked to market to reflect the current value of the option written. These amounts are included on the Statement of Assets and Liabilities. Premiums received from writing options which expire are treated as realized gains. Premiums received from writing options which are exercised or closed are added to the proceeds or offset against amounts paid on the underlying futures, swap, security or currency transaction to determine the realized gain (loss). Certain options may be written with premiums to be determined on a future date. The premiums for these options are based upon implied volatility parameters at specified terms. The Portfolio as a writer of an option has no control over whether the underlying instrument may be sold ("call") or purchased ("put") and as a result bears the market risk of an unfavorable change in the price of the instrument underlying the written option. There is the risk the Portfolio may not be able to enter into a closing transaction because of an illiquid market.

Purchasing call options tends to increase the Portfolio's exposure to the underlying instrument. Purchasing put options tends to decrease the Portfolio's exposure to the underlying instrument. The Portfolio pays a premium which is included as an asset on the Statement of Assets and Liabilities and subsequently marked to market to reflect the current value of the option. Premiums paid for purchasing options which expire are treated as realized losses. Certain options may be purchased with premiums to be determined on a future date. The premiums for these options are based upon implied volatility parameters at specified terms. The risk associated with purchasing put and call options is limited to the premium paid. Premiums paid for purchasing options which are exercised or closed are added to the amounts paid or offset against the proceeds on the underlying investment transaction to determine the realized gain (loss) when the underlying transaction is executed.

Credit Default Swaptions may be written or purchased to hedge exposure to the credit risk of an investment without making a commitment to the underlying instrument. A credit default swaption is an option to sell or buy credit protection on a specific reference by entering into a pre-defined swap agreement by some specified date in the future.

Foreign Currency Options may be written or purchased to be used as a short or long hedge against possible variations in foreign exchange rates or to gain exposure to foreign currencies.

Interest Rate Swaptions may be written or purchased to enter into a pre-defined swap agreement or to shorten, extend, cancel or otherwise modify an existing swap agreement, by some specified date in the future. The writer of the swaption becomes the counterparty to the swap if the buyer exercises. The interest rate swaption agreement will specify whether the buyer of the swaption will be a fixed-rate receiver or a fixed-rate payer upon exercise.

Options on Exchange-Traded Futures Contracts ("Futures Option") may be written or purchased to hedge an existing position or future investment, for speculative purposes or to manage exposure to market movements. A Futures Option is an option contract in which the underlying instrument is a single futures contract.

Options on Securities may be written or purchased to enhance returns or to hedge an existing position or future investment. An option on a security uses a specified security as the underlying instrument for the option contract.

(d) Swap Agreements are bilaterally negotiated agreements between the Portfolio and a counterparty to exchange or swap investment cash flows, assets, foreign currencies or market-linked returns at specified, future intervals. Swap agreements may be privately negotiated in the over the counter market ("OTC swaps") or may be cleared through a third party, known as a central counterparty or derivatives clearing organization ("Centrally Cleared Swaps"). The Portfolio may enter into asset, credit default, cross-currency, interest rate, total return, variance and other forms of swap agreements to manage its exposure to credit, currency, interest rate, commodity, equity and inflation risk. In connection with these agreements, securities or cash may be identified as collateral or margin in accordance with the terms of the respective swap agreements to provide assets of value and recourse in the event of default or bankruptcy/insolvency.

Centrally Cleared Swaps are marked to market daily based upon valuations as determined from the underlying contract or in accordance with the requirements of the central counterparty or derivatives clearing organization. Changes in market value, if any, are reflected as a component of net change in unrealized appreciation (depreciation) on the Statement of Operations. Daily changes in valuation of centrally cleared swaps ("Swap Variation Margin"), if any, are disclosed within centrally cleared financial derivative instruments on the Statement of Assets and Liabilities. Centrally Cleared and OTC swap payments received or paid at the beginning of the measurement period are included on the Statement of Assets and Liabilities and represent premiums paid or received upon entering into the swap agreement to compensate for differences between the stated terms of the swap agreement and prevailing market conditions (credit spreads, currency exchange rates, interest rates, and other relevant factors). Upfront premiums received (paid) are initially recorded as liabilities (assets) and subsequently marked to market to reflect the current value of the swap. These upfront premiums are recorded as realized gain (loss) on the Statement of Operations upon termination or maturity of the swap. A liquidation payment received or made at the termination of the swap is recorded as realized gain (loss) on the Statement of Operations. Net periodic payments received or paid by the Portfolio are included as part of realized gain (loss) on the Statement of Operations.

For purposes of applying certain of the Portfolio's investment policies and restrictions, swap agreements, like other derivative instruments, may be valued by the Portfolio at market value, notional value or full exposure value. In the case of a credit default swap, in applying certain of the Portfolio's investment policies and restrictions, the Portfolio will value the credit default swap at its notional value or its full exposure value (*i.e.*, the sum of the notional amount for the contract plus the market value), but may value the credit default swap at market value for purposes of applying certain of the Portfolio's other investment policies and restrictions. For example, the Portfolio may value credit default swaps at full exposure value for purposes of the Portfolio's credit quality guidelines (if any) because such value in general better reflects the Portfolio's actual economic exposure during the term of the credit default swap agreement. As a result, the Portfolio may, at times, have notional exposure to an asset class (before netting) that is greater or lesser than the stated limit or restriction noted in the Portfolio's prospectus. In this context, both the notional amount and the market value may be positive or negative depending on whether the Portfolio is selling or buying protection through the credit default swap. The manner in which certain securities or other instruments are valued by the Portfolio for purposes of applying investment policies and restrictions may differ from the manner in which those investments are valued by other types of investors.

Entering into swap agreements involves, to varying degrees, elements of interest, credit, market and documentation risk in excess of the amounts recognized on the Statement of Assets and Liabilities. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to the agreements may default on its obligation to perform or disagree as to the meaning of contractual terms in the agreements and that there may be unfavorable changes in interest rates or the values of the asset upon which the swap is based.

The Portfolio's maximum risk of loss from counterparty credit risk is the discounted net value of the cash flows to be received from the counterparty over the contract's remaining life, to the extent that amount is positive. The risk may be mitigated by having a master netting arrangement between the Portfolio and the counterparty and by the posting of collateral to the Portfolio to cover the Portfolio's exposure to the counterparty.

To the extent the Portfolio has a policy to limit the net amount owed to or to be received from a single counterparty under existing swap agreements, such limitation only applies to counterparties to OTC swaps and does not apply to centrally cleared swaps where the counterparty is a central counterparty or derivatives clearing organization.

Credit Default Swap Agreements on corporate, loan, sovereign, U.S. municipal or U.S. Treasury issues are entered into to provide a measure of protection against defaults of the issuers (*i.e.*, to reduce risk where the Portfolio owns or has exposure to the referenced obligation) or to take an active long or short position with respect to the likelihood of a particular issuer's default. Credit default swap agreements involve one party making a stream of payments (referred to as the buyer of protection) to another party (the seller of protection) in exchange for the right to receive a specified return in the event that the referenced entity, obligation or index, as specified in the swap agreement, undergoes a certain credit event. As a seller of protection on credit default swap agreements, the Portfolio will generally receive from the buyer of protection a fixed rate of income throughout the term of the swap provided that there is no credit event. As the seller, the Portfolio would effectively add leverage to its portfolio because, in addition to its total net assets, the Portfolio would be subject to investment exposure on the notional amount of the swap.

If the Portfolio is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Portfolio will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation, other deliverable obligations or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index. If the Portfolio is a buyer of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Portfolio will either (i) receive from the seller of protection an amount equal to the notional amount of the swap and deliver the referenced obligation, other deliverable obligations or underlying securities comprising the referenced index or (ii) receive a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index. Recovery values are estimated by market makers considering either industry standard recovery rates or entity specific factors and considerations until a credit event occurs. If a credit event has occurred, the recovery value is determined by a facilitated auction whereby a minimum number of allowable broker bids, together with a specified valuation method, are used to calculate the settlement value. The ability to deliver other obligations may result in a cheapest-to-deliver option (the buyer of protection's right to choose the deliverable obligation with the lowest value following a credit event).

Credit default swap agreements on credit indices involve one party making a stream of payments to another party in exchange for the right to receive a specified return in the event of a write-down, principal shortfall, interest shortfall or default of all or part of the referenced entities comprising the credit index. A credit index is a basket of credit instruments or exposures designed to be representative of some part of the credit market as a whole. These indices are made up of reference credits that are judged by a poll of dealers to be the most liquid entities in the credit default swap market based on the sector of the index. Components of the indices may include, but are not limited to, investment grade securities, high yield securities, asset-backed securities, emerging markets, and/or various credit ratings within each sector. Credit indices are traded using credit default swaps with standardized terms including a fixed spread and standard maturity dates. An index credit default swap references all the names in the index, and if there is a default, the credit event is settled based on that name's weight in the index. The composition of the indices changes periodically, usually every six months, and for most indices, each name has an equal weight in the index. The Portfolio may use credit default swaps on credit indices to hedge a portfolio of credit default swaps or bonds, which is less expensive than it would be to buy many credit default swaps to achieve a similar effect. Credit default swaps on indices are instruments for protecting investors owning bonds against default, and traders use them to speculate on changes in credit quality.

Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements on corporate, loan, sovereign, U.S. municipal or U.S. Treasury issues as of period end, if any, are disclosed in the Notes to Schedule of

Investments. They serve as an indicator of the current status of payment/performance risk and represent the likelihood or risk of default for the reference entity. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement. For credit default swap agreements on asset-backed securities and credit indices, the quoted market prices and resulting values serve as the indicator of the current status of the payment/performance risk. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

The maximum potential amount of future payments (undiscounted) that the Portfolio as a seller of protection could be required to make under a credit default swap agreement equals the notional amount of the agreement. Notional amounts of each individual credit default swap agreement outstanding as of period end for which the Portfolio is the seller of protection are disclosed in the Notes to Schedule of Investments. These potential amounts would be partially offset by any recovery values of the respective referenced obligations, upfront payments received upon entering into the agreement, or net amounts received from the settlement of buy protection credit default swap agreements entered into by the Portfolio for the same referenced entity or entities.

Cross-Currency Swap Agreements are entered into to gain or mitigate exposure to currency risk. Cross-currency swap agreements involve two parties exchanging two different currencies with an agreement to reverse the exchange at a later date at specified exchange rates. The exchange of currencies at the inception date of the contract takes place at the current spot rate. The re-exchange at maturity may take place at the same exchange rate, a specified rate, or the then current spot rate. Interest payments, if applicable, are made between the parties based on interest rates available in the two currencies at the inception of the contract. The terms of cross-currency swap contracts may extend for many years. Cross-currency swaps are usually negotiated with commercial and investment banks. Some cross-currency swaps may not provide for exchanging principal cash flows, but only for exchanging interest cash flows.

Interest Rate Swap Agreements may be entered into to help hedge against interest rate risk exposure and to maintain the Portfolio's ability to generate income at prevailing market rates. The value of the fixed rate bonds that the Portfolio holds may decrease if interest rates rise. To help hedge against this risk and to maintain its ability to generate income at prevailing market rates, the Portfolio may enter into interest rate swap agreements. Interest rate swap agreements involve the exchange by the Portfolio with another party for their respective commitment to pay or receive interest on the notional amount of principal. Certain forms of interest rate swap agreements may include: (i) interest rate caps, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates exceed a specified rate, or "cap", (ii) interest rate floors, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates fall below a specified rate, or "floor", (iii) interest rate collars, under which a party sells a cap and purchases a floor or vice versa in an attempt to protect itself against interest rate movements exceeding given minimum or maximum levels, (iv) callable interest rate swaps, under which the buyer pays an upfront fee in consideration for the right to early terminate the swap transaction in whole, at zero cost and at a predetermined date and time prior to the maturity date, (v) spreadlocks, which allow the interest rate swap users to lock in the forward differential (or spread) between the interest rate swap rate and a specified benchmark, or (vi) basis swaps, under which two parties can exchange variable interest rates based on different segments of money markets.

Volatility Swap Agreements are also known as forward volatility agreements and volatility swaps and are agreements in which the counterparties agree to make payments in connection with changes in the volatility (*i.e.*, the magnitude of change over a specified period of time) of an underlying referenced instrument, such as a currency, rate, index, security or other financial instrument. Volatility swaps permit the parties to attempt to hedge volatility risk and/or take positions on the projected future volatility of an underlying referenced instrument. For example, the Portfolio may enter into a volatility swap in order to take the position that the referenced instrument's volatility will increase over a particular period of time. If the referenced instrument's volatility does increase over the specified time, the Portfolio will receive payment from its counterparty based upon the amount by which the referenced instrument's realized volatility level exceeds a volatility level agreed upon by the parties. If the referenced instrument's volatility does not increase over the specified time, the Portfolio will make a payment to the counterparty based upon the amount by which the referenced instrument's realized volatility level falls below the volatility level agreed upon by the parties. At the maturity date, a net cash flow is exchanged, where the payoff amount is equivalent to the difference between the realized price volatility of the referenced instrument and the strike multiplied by the notional amount. As a receiver of the realized price volatility, the Portfolio would receive the payoff amount when the realized price volatility of the referenced instrument is greater than the strike and would owe the payoff amount when the volatility is less than the strike. As a payer of the realized price volatility, the Portfolio would owe the payoff amount when the realized price volatility of the referenced instrument is greater than the strike and would receive the payoff amount when the volatility is less than the strike. Payments on a volatility swap will be greater if they are based upon the mathematical square of volatility (*i.e.*, the measured volatility multiplied by itself, which is referred to as “variance”). This type of volatility swap is frequently referred to as a variance swap.

7. PRINCIPAL RISKS

The principal risks of investing in the Portfolio, which could adversely affect its net asset value, yield and total return, are listed below. Please see “Description of Principal Risks” in the Portfolio’s prospectus for a more detailed description of the risks of investing in the Portfolio.

Interest Rate Risk is the risk that fixed income securities will decline in value because of an increase in interest rates; a portfolio with a longer average portfolio duration will be more sensitive to changes in interest rates than a portfolio with a shorter average portfolio duration.

Call Risk is the risk that an issuer may exercise its right to redeem a fixed income security earlier than expected (a call). Issuers may call outstanding securities prior to their maturity for a number of reasons (*e.g.,* declining interest rates, changes in credit spreads and improvements in the issuer’s credit quality). If an issuer calls a security that the Portfolio has invested in, the Portfolio may not recoup the full amount of its initial investment and may be forced to reinvest in lower-yielding securities, securities with greater credit risks or securities with other, less favorable features.

Credit Risk is the risk that the Portfolio could lose money if the issuer or guarantor of a fixed income security, or the counterparty to a derivative contract, is unable or unwilling to meet its financial obligations.

High Yield Risk is the risk that high yield securities and unrated securities of similar credit quality (commonly known as “junk bonds”) are subject to greater levels of credit, call and liquidity risks. High yield securities are considered primarily speculative with respect to the issuer’s continuing ability to make principal and interest payments, and may be more volatile than higher-rated securities of similar maturity.

Market Risk is the risk that the value of securities owned by the Portfolio may go up or down, sometimes rapidly or unpredictably, due to factors affecting securities markets generally or particular industries.

Issuer Risk is the risk that the value of a security may decline for a reason directly related to the issuer, such as management performance, financial leverage and reduced demand for the issuer’s goods or services.

Liquidity Risk is the risk that a particular investment may be difficult to purchase or sell and that the Portfolio may be unable to sell illiquid securities at an advantageous time or price or achieve its desired level of exposure to a certain sector. Liquidity risk may result from the lack of an active market, reduced number and capacity of traditional market participants to make a market in fixed income securities, and may be magnified in a rising interest rate environment or other circumstances where investor redemptions from fixed income mutual funds may be higher than normal, causing increased supply in the market due to selling activity.

Derivatives Risk is the risk of investing in derivative instruments (such as futures, swaps and structured securities), including leverage, liquidity, interest rate, market, credit and management risks, mispricing or valuation complexity. Changes in the value of the derivative may not correlate perfectly with, and may be more sensitive to market events than, the underlying asset, rate or index, and the Portfolio could lose more than the initial amount invested. The Portfolio’s use of derivatives may result in losses to the Portfolio, a reduction in the Portfolio’s returns and/or increased volatility. Over-the-counter (“OTC”) derivatives are also subject to the risk that a counterparty to the transaction will not fulfill its contractual obligations to the other party, as many of the protections afforded to centrally-cleared derivative transactions might not be available for OTC derivatives. For derivatives traded on an exchange or through a central counterparty, credit risk resides with the Portfolio’s clearing broker, or the clearinghouse itself, rather than with a counterparty in an OTC derivative transaction. Changes in regulation relating to a mutual fund’s use of derivatives and related instruments could potentially limit or impact the Portfolio’s ability to invest in derivatives, limit the Portfolio’s ability to employ certain strategies that use derivatives and/or adversely affect the value of derivatives and the Portfolio’s performance.

Equity Risk is the risk that the value of equity securities, such as common stocks and preferred securities, may decline due to general market conditions which are not specifically related to a particular company or to factors affecting a particular industry or industries. Equity securities generally have greater price volatility than fixed income securities.

Mortgage-Related and Other Asset-Backed Securities Risk is the risk of investing in mortgage-related and other asset-backed securities, including interest rate risk, extension risk, prepayment risk and credit risk.

Foreign (Non-U.S.) Investment Risk is the risk that investing in foreign (non-U.S.) securities may result in the Portfolio experiencing more rapid and extreme changes in value than a portfolio that invests exclusively in securities of U.S. companies, due to smaller markets, differing reporting, accounting and auditing standards, increased risk of delayed settlement of portfolio transactions or loss of certificates of portfolio securities, and the risk of unfavorable foreign government actions, including nationalization, expropriation or confiscatory taxation, currency blockage, or political changes or diplomatic developments. Foreign securities may also be less liquid and more difficult to value than securities of U.S. issuers.

Emerging Markets Risk is the risk of investing in emerging market securities, primarily increased foreign (non-U.S.) investment risk.

Sovereign Debt Risk is the risk that investments in fixed income instruments issued by sovereign entities may decline in value as a result of default or other adverse credit event resulting from an issuer's inability or unwillingness to make principal or interest payments in a timely fashion.

Currency Risk is the risk that foreign (non-U.S.) currencies will change in value relative to the U.S. dollar and affect the Portfolio's investments in foreign (non-U.S.) currencies or in securities that trade in, and receive revenues in, or in derivatives that provide exposure to, foreign (non-U.S.) currencies.

Leveraging Risk is the risk that certain transactions of the Portfolio, such as reverse repurchase agreements, loans of portfolio securities, and the use of when-issued, delayed delivery or forward commitment transactions, or derivative instruments, may give rise to leverage, magnifying gains and losses and causing the Portfolio to be more volatile than if it had not been leveraged. This means that leverage entails a heightened risk of loss.

Management Risk is the risk that the investment techniques and risk analyses applied by PIMCO will not produce the desired results and that legislative, regulatory, or tax restrictions, policies or developments may affect the investment techniques available to PIMCO and the individual portfolio manager in connection with managing the Portfolio. There is no guarantee that the investment objective of the Portfolio will be achieved.

Short Exposure Risk is the risk of entering into short sales, including the potential loss of more money than the actual cost of the investment, and the risk that the third party to the short sale will not fulfill its contractual obligations, causing a loss to the Portfolio.

8. MASTER NETTING ARRANGEMENTS

The Portfolio may be subject to various netting arrangements ("Master Agreements") with select counterparties. Master Agreements govern the terms of certain transactions, and are intended to reduce the counterparty risk associated with relevant transactions by specifying credit protection mechanisms and providing standardization that is intended to improve legal certainty. Each type of Master Agreement governs certain types of transactions. Different types of transactions may be traded out of different legal entities or affiliates of a particular organization, resulting in the need for multiple agreements with a single counterparty. As the Master Agreements are specific to unique operations of different asset types, they allow the Portfolio to close out and net its total exposure to a counterparty in the event of a default with respect to all the transactions governed under a single Master Agreement with a counterparty. For financial reporting purposes the Statement of Assets and Liabilities generally presents derivative assets and liabilities on a gross basis, which reflects the full risks and exposures prior to netting.

Master Agreements can also help limit counterparty risk by specifying collateral posting arrangements at pre-arranged exposure levels. Under most Master Agreements, collateral is routinely transferred if the total net exposure to certain transactions (net of existing collateral already in place) governed under the relevant Master Agreement with a counterparty in a given account exceeds a specified threshold, which typically ranges from zero to $250,000 depending on the counterparty and the type of Master Agreement. United States Treasury Bills and U.S. dollar cash are generally the preferred forms of collateral, although other securities may be used depending on the terms outlined in the applicable Master Agreement. Securities and cash pledged as collateral are reflected as assets on the Statement of Assets and Liabilities as either a component of Investments at value (securities) or Deposits with counterparty. Cash collateral received is not typically held in a segregated account and as such is reflected as a liability on the Statement of Assets and Liabilities as Deposits from counterparty. The market value of any securities received as collateral is not reflected as a component of NAV. The Portfolio's overall exposure to counterparty risk can change substantially within a short period, as it is affected by each transaction subject to the relevant Master Agreement.

Master Repurchase Agreements and Global Master Repurchase Agreements (individually and collectively "Master Repo Agreements") govern repurchase, reverse repurchase, and certain sale-buyback transactions between the Portfolio and select counterparties. Master Repo Agreements maintain provisions for, among other things, initiation, income payments, events of default, and maintenance of collateral. The market value of transactions under the Master Repo Agreement, collateral pledged or received, and the net exposure by counterparty as of period end are disclosed in the Notes to Schedule of Investments.

Master Securities Forward Transaction Agreements ("Master Forward Agreements") govern certain forward settling transactions, such as TBA securities, delayed-delivery or certain sale-buyback transactions by and between the Portfolio and select counterparties. The Master Forward

Agreements maintain provisions for, among other things, transaction initiation and confirmation, payment and transfer, events of default, termination, and maintenance of collateral. The market value of forward settling transactions, collateral pledged or received, and the net exposure by counterparty as of period end is disclosed in the Notes to Schedule of Investments.

Customer Account Agreements and related addenda govern cleared derivatives transactions such as futures, options on futures, and cleared OTC derivatives. Such transactions require posting of initial margin as determined by each relevant clearing agency which is segregated in an account at a futures commission merchant ("FCM") registered with the Commodity Futures Trading Commission ("CFTC"). In the United States, counterparty risk may be reduced as creditors of an FCM cannot have a claim to Portfolio assets in the segregated account. Portability of exposure reduces risk to the Portfolio. Variation margin, or changes in market value, are exchanged daily, but may not be netted between futures and cleared OTC derivatives unless the parties have agreed to a separate arrangement in respect of portfolio margining. The market value or accumulated unrealized appreciation (depreciation), initial margin posted, and any unsettled variation margin as of period end are disclosed in the Notes to Schedule of Investments.

International Swaps and Derivatives Association, Inc. Master Agreements and Credit Support Annexes ("ISDA Master Agreements") govern bilateral OTC derivative transactions entered into by the Portfolio with select counterparties. ISDA Master Agreements maintain provisions for general obligations, representations, agreements, collateral posting and events of default or termination. Events of termination include conditions that may entitle counterparties to elect to terminate early and cause settlement of all outstanding transactions under the applicable ISDA Master Agreement. Any election to terminate early could be material to the financial statements. In limited circumstances, the ISDA Master Agreement may contain additional provisions that add counterparty protection beyond coverage of existing daily exposure if the counterparty has a decline in credit quality below a predefined level. These amounts, if any, may be segregated with a third-party custodian. The market value of OTC financial derivative instruments, collateral received or pledged, and net exposure by counterparty as of period end are disclosed in the Notes to Schedule of Investments.

9. FEES AND EXPENSES

(a) Investment Advisory Fee PIMCO is a majority-owned subsidiary of Allianz Asset Management of America L.P. ("Allianz Asset Management") and serves as the Adviser to the Trust, pursuant to an investment advisory contract. The Adviser receives a monthly fee from the Portfolio at an annual rate based on average daily net assets (the "Investment Advisory Fee"). The Investment Advisory Fee for all classes is charged at an annual rate as noted in the table in note (b) below.

(b) Supervisory and Administrative Fee PIMCO serves as administrator (the "Administrator") and provides supervisory and administrative services to the Trust for which it receives a monthly supervisory and administrative fee based on each share class's average daily net assets (the "Supervisory and Administrative Fee"). As the Administrator, PIMCO bears the costs of various third-party services, including audit, custodial, portfolio accounting, legal, transfer agency and printing costs.

The Investment Advisory Fee and Supervisory and Administrative Fees for all classes, as applicable, are charged at the annual rate as noted in the following table (calculated as a percentage of the Portfolio's average daily net assets attributable to each class):

Investment Advisory Fee	Supervisory and Administrative Fee		
All Classes	Institutional Class	Administrative Class	Advisor Class
0.25%	0.50%	0.50%	0.50%

(c) Distribution and Servicing Fees PIMCO Investments LLC, a wholly-owned subsidiary of PIMCO, serves as the distributor ("Distributor") of the Trust's shares.

The Trust has adopted an Administrative Services Plan with respect to the Administrative Class shares of the Portfolio pursuant to Rule 12b-1 under the Act (the "Administrative Plan"). Under the terms of the Administrative Plan, the Trust is permitted to compensate the Distributor, out of the Administrative Class assets of the Portfolio, in an amount up to 0.15% on an annual basis of the average daily net assets of that class, for providing or procuring through financial intermediaries administrative, recordkeeping and investor services for Administrative Class shareholders of the Portfolio.

The Trust has adopted a separate Distribution and Servicing Plan for the Advisor Class shares of the Portfolio (the "Distribution and Servicing Plan"). The Distribution and Servicing Plan has been adopted pursuant to Rule 12b-1 under the Act. The Distribution and Servicing Plan permits the Portfolio to compensate the Distributor for providing or procuring through financial intermediaries, distribution, administrative, recordkeeping, shareholder and/or related services with respect to Advisor Class shares. The Distribution and Servicing Plan permits the Portfolio to make total payments at an annual rate of up to 0.25% of its average daily net assets attributable to its Advisor Class shares.

	Distribution Fee	Servicing Fee
Administrative Class	—	0.15%
Advisor Class	0.25%	—

(d) Portfolio Expenses PIMCO provides or procures supervisory and administrative services for shareholders and also bears the costs of various third-party services required by the Portfolio, including audit, custodial, portfolio accounting, legal, transfer agency and printing costs. The Trust is responsible for the following expenses: (i) taxes and governmental fees; (ii) brokerage fees and commissions and other portfolio transaction expenses; (iii) the costs of borrowing money, including interest expense; (iv) fees and expenses of the Trustees who are not "interested persons" of PIMCO or the Trust, and any counsel retained exclusively for their benefit; (v) extraordinary expense, including costs of litigation and indemnification expenses; (vi) organizational expenses; and (vii) any expenses allocated or allocable to a specific class of shares, which include service fees payable with respect to the Administrative Class Shares, and may include certain other expenses as permitted by the Trust's Multi-Class Plan adopted pursuant to Rule 18f-3 under the Act and subject to review and approval by the Trustees. The ratio of expenses to average net assets per share class, as disclosed on the Financial Highlights, may differ from the annual portfolio operating expenses per share class.

Each Trustee, other than those affiliated with PIMCO or its affiliates, receives an annual retainer of $41,200, plus $4,250 for each Board meeting attended in person, $850 for each committee meeting attended and $750 for each Board meeting attended telephonically, plus reimbursement of related expenses. In addition, the audit committee chair receives an additional annual retainer of $8,000, the valuation oversight committee lead receives an additional annual retainer of $8,500 (to the extent there are co-leads of the valuation oversight committee, the annual retainer will be split evenly between the co-leads, so that each co-lead individually receives an additional annual retainer of $4,250) and each other committee chair receives an additional annual retainer of $5,500. The Lead Independent Trustee receives an annual retainer of $7,000.

These expenses are allocated on a pro rata basis to each Portfolio of the Trust according to its respective net assets. The Trust pays no compensation directly to any Trustee or any other officer who is affiliated with the Administrator, all of whom receive remuneration for their services to the Trust from the Administrator or its affiliates.

(e) Expense Limitation Pursuant to the Expense Limitation Agreement, PIMCO has agreed to waive a portion of the Portfolio's Supervisory and Administrative Fee, or reimburse the Portfolio, to the extent that the Portfolio's organizational expenses, pro rata share of expenses related to obtaining or maintaining a Legal Entity Identifier and pro rata share of Trustee Fees exceed 0.0049%, the "Expense Limit" (calculated as a percentage of the Portfolio's average daily net assets attributable to each class). The Expense Limitation Agreement will automatically renew for one-year terms unless PIMCO provides written notice to the Trust at least 30 days prior to the end of the then current term.

Under certain conditions, PIMCO may be reimbursed for amounts waived pursuant to the Expense Limitation Agreement in future periods, not to exceed thirty-six months after the waiver. At December 31, 2018, there were no recoverable amounts.

10. RELATED PARTY TRANSACTIONS

The Adviser, Administrator, and Distributor are related parties. Fees paid to these parties are disclosed in Note 9, Fees and Expenses, and the accrued related party fee amounts are disclosed on the Statement of Assets and Liabilities.

11. GUARANTEES AND INDEMNIFICATIONS

Under the Trust's organizational documents, each Trustee, officer, employee or other agent of the Trust (including the Trust's investment manager) is indemnified, to the extent permitted by the Act, against certain liabilities that may arise out of performance of their duties to the Portfolio. Additionally, in the normal course of business, the Portfolio enters into contracts that contain a variety of indemnification clauses. The Portfolio's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Portfolio that have not yet occurred. However, the Portfolio has not had prior claims or losses pursuant to these contracts.

12. PURCHASES AND SALES OF SECURITIES

The length of time the Portfolio has held a particular security is not generally a consideration in investment decisions. A change in the securities held by the Portfolio is known as "portfolio turnover." The Portfolio may engage in frequent and active trading of portfolio securities to achieve its investment objective, particularly during periods of volatile market movements. High portfolio turnover may involve correspondingly greater transaction costs to the Portfolio, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestments in other securities. Such sales may also result in realization of taxable capital gains, including short-term capital gains (which are generally taxed at ordinary income tax rates). The transaction costs and tax effects associated with portfolio turnover may adversely affect a shareholder's performance. The portfolio turnover rates are reported in the Financial Highlights.

Purchases and sales of securities (excluding short-term investments) for the period ended December 31, 2018, were as follows (amounts in thousands†):

U.S. Government/Agency		All Other	
Purchases	Sales	Purchases	Sales
$ 529,393	$ 539,194	$ 58,038	$ 74,103

† A zero balance may reflect actual amounts rounding to less than one thousand.

13. SHARES OF BENEFICIAL INTEREST

The Trust may issue an unlimited number of shares of beneficial interest with a $0.001 par value. Changes in shares of beneficial interest were as follows (shares and amounts in thousands†):

	Year Ended 12/31/2018		Year Ended 12/31/2017	
	Shares	**Amount**	**Shares**	**Amount**
Receipts for shares sold				
Institutional Class	150	$ 1,805	132	$ 1,592
Administrative Class	2,204	26,588	2,627	31,692
Advisor Class	233	2,821	576	6,981
Issued as reinvestment of distributions				
Institutional Class	62	692	17	211
Administrative Class	1,077	12,071	324	3,951
Advisor Class	152	1,707	46	557
Cost of shares redeemed				
Institutional Class	(159)	(1,911)	(130)	(1,579)
Administrative Class	(4,177)	(50,215)	(3,946)	(47,698)
Advisor Class	(590)	(7,059)	(936)	(11,303)
Net increase (decrease) resulting from Portfolio share transactions	(1,048)	$ (13,501)	(1,290)	$ (15,596)

† A zero balance may reflect actual amounts rounding to less than one thousand.

As of December 31, 2018, two shareholders each owned 10% or more of the Portfolio's total outstanding shares comprising 63% of the Portfolio. One of the shareholders is a related party and comprises 28% of the Portfolio. Related parties may include, but are not limited to, the investment adviser and its affiliates, affiliated broker dealers, fund of funds and directors or employees of the Trust or Adviser.

14. REGULATORY AND LITIGATION MATTERS

The Portfolio is not named as a defendant in any material litigation or arbitration proceedings and is not aware of any material litigation or claim pending or threatened against it. The foregoing speaks only as of the date of this report.

15. FEDERAL INCOME TAX MATTERS

The Portfolio intends to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code (the "Code") and distribute all of its taxable income and net realized gains, if applicable, to shareholders. Accordingly, no provision for Federal income taxes has been made.

The Portfolio may be subject to local withholding taxes, including those imposed on realized capital gains. Any applicable foreign capital gains tax is accrued daily based upon net unrealized gains, and may be payable following the sale of any applicable investments.

In accordance with U.S. GAAP, the Adviser has reviewed the Portfolio's tax positions for all open tax years. As of December 31, 2018, the Portfolio has recorded no liability for net unrecognized tax benefits relating to uncertain income tax positions it has taken or expects to take in future tax returns.

The Portfolio files U.S. federal, state, and local tax returns as required. The Portfolio's tax returns are subject to examination by 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.

Shares of the Portfolio currently are sold to segregated asset accounts ("Separate Accounts") of insurance companies that fund variable annuity contracts and variable life insurance policies ("Variable Contracts"). Please refer to the prospectus for the Separate Account and Variable Contract for information regarding Federal income tax treatment of distributions to the Separate Account.

As of December 31, 2018, the components of distributable taxable earnings are as follows (amounts in thousands†):

	Undistributed Ordinary Income(1)	Undistributed Long-Term Capital Gains	Net Tax Basis Unrealized Appreciation/ (Depreciation)(2)	Other Book-to-Tax Accounting Differences(3)	Accumulated Capital Losses(4)	Qualified Late-Year Loss Deferral - Capital(5)	Qualified Late-Year Loss Deferral - Ordinary(6)
PIMCO Global Bond Opportunities Portfolio (Unhedged)	$ 0	$ 0	$ (1,898)	$ 0	$ (2,348)	$ 0	$ 0

† A zero balance may reflect actual amounts rounding to less than one thousand.
(1) Includes undistributed short-term capital gains, if any.
(2) Adjusted for open wash sale loss deferrals and the accelerated recognition of unrealized gain or loss on certain futures, options and forward contracts for federal income tax, purposes. Also adjusted for differences between book and tax realized and unrealized gain (loss) on swap contracts, sale/buyback transactions, convertible preferred securities, straddle loss deferrals, and Lehman securities.
(3) Represents differences in income tax regulations and financial accounting principles generally accepted in the United States of America.
(4) Capital losses available to offset future net capital gains expire in varying amounts as shown below.
(5) Capital losses realized during the period November 1, 2018 through December 31, 2018 which the Portfolio elected to defer to the following taxable year pursuant to income tax regulations.
(6) Specified losses realized during the period November 1, 2018 through December 31, 2018 which the Portfolio elected to defer to the following taxable year pursuant to income tax regulations.

Under the Regulated Investment Company Modernization Act of 2010, a fund is permitted to carry forward any new capital losses for an unlimited period. Additionally, such capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term under previous law.

As of December 31, 2018, the Portfolio had the following post-effective capital losses with no expiration (amounts in thousands†):

	Short-Term	Long-Term
PIMCO Global Bond Opportunities Portfolio (Unhedged)	$ 571	$ 1,777

† A zero balance may reflect actual amounts rounding to less than one thousand.

As of December 31, 2018, the aggregate cost and the net unrealized appreciation/(depreciation) of investments for federal income tax purposes are as follows (amounts in thousands†):

	Federal Tax Cost	Unrealized Appreciation	Unrealized (Depreciation)	Net Unrealized Appreciation/ (Depreciation)(7)
PIMCO Global Bond Opportunities Portfolio (Unhedged)	$ 250,634	$ 13,535	$ (15,493)	$ (1,958)

† A zero balance may reflect actual amounts rounding to less than one thousand.
(7) Primary differences, if any, between book and tax net unrealized appreciation/(depreciation) on investments are attributable to open wash sale loss deferrals, unrealized gain or loss on certain futures, options and forward contracts, treasury inflation protected securities (TIPS), sale/buyback transactions, realized and unrealized gain (loss) swap contracts, convertible preferred securities, straddle loss deferrals, and Lehman securities.

For the fiscal year ended December 31, 2018 and December 31, 2017, respectively, the Portfolio made the following tax basis distributions (amounts in thousands†):

	December 31, 2018			December 31, 2017		
	Ordinary Income Distributions(8)	Long-Term Capital Gain Distributions	Return of Capital(9)	Ordinary Income Distributions(8)	Long-Term Capital Gain Distributions	Return of Capital(9)
PIMCO Global Bond Opportunities Portfolio (Unhedged)	$ 13,075	$ 587	$ 809	$ 4,719	$ 0	$ 0

† A zero balance may reflect actual amounts rounding to less than one thousand.
(8) Includes short-term capital gains distributed, if any.
(9) A portion of the distributions made represents a tax return of capital. Return of capital distributions have been reclassified from undistributed net investment income to paid-in capital to more appropriately conform financial accounting to tax accounting.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of PIMCO Variable Insurance Trust and Shareholders of PIMCO Global Bond Opportunities Portfolio (Unhedged)

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of PIMCO Global Bond Opportunities Portfolio (Unhedged) (one of the portfolios constituting PIMCO Variable Insurance Trust, referred to hereafter as the "Portfolio") as of December 31, 2018, the related statement of operations for the year ended December 31, 2018, the statement of changes in net assets for each of the two years in the period ended December 31, 2018, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2018 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Portfolio as of December 31, 2018, 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, 2018 and the financial highlights for each of the five years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Portfolio's management. Our responsibility is to express an opinion on the Portfolio'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 Portfolio 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, 2018 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.

/s/ PricewaterhouseCoopers LLP
Kansas City, Missouri

February 20, 2019

We have served as the auditor of one or more investment companies in PIMCO Variable Insurance Trust since 1998.

Counterparty Abbreviations:

AZD	Australia and New Zealand Banking Group	**GRE**	RBS Securities, Inc.	**RBC**	Royal Bank of Canada
BOA	Bank of America N.A.	**GST**	Goldman Sachs International	**RYL**	Royal Bank of Scotland Group PLC
BOM	Bank of Montreal	**HUS**	HSBC Bank USA N.A.	**SCX**	Standard Chartered Bank
BPS	BNP Paribas S.A.	**IND**	Crédit Agricole Corporate and Investment Bank S.A.	**SOG**	Societe Generale
BRC	Barclays Bank PLC	**JPM**	JPMorgan Chase Bank N.A.	**SSB**	State Street Bank and Trust Co.
CBK	Citibank N.A.	**MSB**	Morgan Stanley Bank, N.A	**TDM**	TD Securities (USA) LLC
DUB	Deutsche Bank AG	**MYC**	Morgan Stanley Capital Services, Inc.	**TOR**	Toronto Dominion Bank
FBF	Credit Suisse International	**MYI**	Morgan Stanley & Co. International PLC	**UAG**	UBS AG Stamford
GLM	Goldman Sachs Bank USA	**NGF**	Nomura Global Financial Products, Inc.		

Currency Abbreviations:

ARS	Argentine Peso	**EUR**	Euro	**NZD**	New Zealand Dollar
AUD	Australian Dollar	**GBP**	British Pound	**PEN**	Peruvian New Sol
BRL	Brazilian Real	**IDR**	Indonesian Rupiah	**PLN**	Polish Zloty
CAD	Canadian Dollar	**ILS**	Israeli Shekel	**RON**	Romanian New Leu
CHF	Swiss Franc	**JPY**	Japanese Yen	**RUB**	Russian Ruble
CLP	Chilean Peso	**KRW**	South Korean Won	**SEK**	Swedish Krona
CNH	Chinese Renminbi (Offshore)	**MXN**	Mexican Peso	**TWD**	Taiwanese Dollar
COP	Colombian Peso	**NGN**	Nigerian Naira	**USD (or $)**	United States Dollar
DKK	Danish Krone	**NOK**	Norwegian Krone	**ZAR**	South African Rand

Exchange Abbreviations:

CBOT	Chicago Board of Trade	**OTC**	Over the Counter

Index/Spread Abbreviations:

BADLARPP	Argentina Badlar Floating Rate Notes	**CDX.IG**	Credit Derivatives Index - Investment Grade	**US0001M**	1 Month USD Swap Rate
CDX.EM	Credit Derivatives Index - Emerging Markets	**LIBOR03M**	3 Month USD-LIBOR	**US0003M**	3 Month USD Swap Rate
CDX.HY	Credit Derivatives Index - High Yield				

Other Abbreviations:

ABS	Asset-Backed Security	**DAC**	Designated Activity Company	**Lunar**	Monthly payment based on 28-day periods. One year consists of 13 periods.
ALT	Alternate Loan Trust	**EURIBOR**	Euro Interbank Offered Rate	**OAT**	Obligations Assimilables du Trésor
BTP	Buoni del Tesoro Poliennali	**JIBAR**	Johannesburg Interbank Agreed Rate	**OIS**	Overnight Index Swap
CDI	Brazil Interbank Deposit Rate	**KORIBOR**	Korea Interbank Offered Rate	**TBA**	To-Be-Announced
CLO	Collateralized Loan Obligation	**LIBOR**	London Interbank Offered Rate	**TIIE**	Tasa de Interés Interbancaria de Equilibrio "Equilibrium Interbank Interest Rate"

Federal Income Tax Information

(Unaudited)

As required by the Internal Revenue Code (the "Code") and Treasury Regulations, if applicable, shareholders must be notified regarding the status of qualified dividend income and the dividend received deduction.

Dividend Received Deduction. Corporate shareholders are generally entitled to take the dividend received deduction on the portion of a Fund's dividend distribution that qualifies under tax law. The percentage of the following Portfolio's fiscal 2018 ordinary income dividend that qualifies for the corporate dividend received deduction is set forth in the table below.

Qualified Dividend Income. Under the Jobs and Growth Tax Relief Reconciliation Act of 2003 (the "Act"), the percentage of ordinary dividends paid during the calendar year designated as "qualified dividend income", as defined in the Act, subject to reduced tax rates in 2018 is set forth for the Portfolio in the table below.

Qualified Interest Income and Qualified Short-Term Capital Gain (for non-U.S. resident shareholders only). Under the American Jobs Creation Act of 2004, the amounts of ordinary dividends paid during the fiscal year ended December 31, 2018 considered to be derived from "qualified interest income," as defined in Section 871(k)(1)(E) of the Code, and therefore designated as interest-related dividends, as defined in Section 871(k)(1)(C) of the Code are set forth in the table below. Further, the amounts of ordinary dividends paid during the fiscal year ended December 31, 2018 considered to be derived from "qualified short-term capital gain," as defined in Section 871(k)(2)(D) of the Code, and therefore designated as qualified short-term gain dividends, as defined by Section 871(k)(2)(C) of the Code are also set forth in the table below.

	Dividend Received Deduction %	Qualified Dividend Income %	Qualified Interest Income (000s†)	Qualified Short-Term Capital Gain (000s†)
PIMCO Global Bond Opportunities Portfolio (Unhedged)	0.00%	1.18%	$ 9,027	$ 0

† A zero balance may reflect actual amounts rounding to less than one thousand.

Shareholders are advised to consult their own tax advisor with respect to the tax consequences of their investment in the Trust. In January 2019, you will be advised on IRS Form 1099-DIV as to the federal tax status of the dividends and distributions received by you in calendar year 2018.

Management of the Trust

The charts below identify the Trustees and executive officers of the Trust. Unless otherwise indicated, the address of all persons below is 650 Newport Center Drive, Newport Beach, CA 92660.

The Portfolio's Statement of Additional Information includes more information about the Trustees and Officers. To request a free copy, call PIMCO at (888) 87-PIMCO or visit the Portfolio's website at www.pimco.com/pvit.

Name, Year of Birth and Position Held with Trust*	Term of Office and Length of Time Served†	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Public Company and Investment Company Directorships Held by Trustee During the Past 5 Years
Interested Trustees[1]				
Peter G. Strelow (1970)** *Chairman of the Board and Trustee*	05/2017 to present Chairman of the Board - 02/2019 to present	Managing Director and Co-Chief Operating Officer, PIMCO. President of the Trust, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds. Formerly, Chief Administrative Officer, PIMCO.	153	Chairman and Trustee, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT.
Brent R. Harris (1959)** *Trustee*	08/1997 to present	Managing Director, PIMCO. Senior Vice President of the Trust, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT. Formerly, member of Executive Committee, PIMCO.	153	Trustee, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT; Director, StocksPLUS® Management, Inc; and member of Board of Governors, Investment Company Institute. Formerly, Chairman, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT.
Independent Trustees				
George E. Borst (1948) *Trustee*	04/2015 to present	Executive Advisor, McKinsey & Company (since 10/14); Formerly, Executive Advisor, Toyota Financial Services (10/13-12/14); and CEO, Toyota Financial Services (1/01-9/13).	132	Trustee, PIMCO Funds and PIMCO ETF Trust; Director, MarineMax Inc.
Jennifer Holden Dunbar (1963) *Trustee*	04/2015 to present	Managing Director, Dunbar Partners, LLC (business consulting and investments). Formerly, Partner, Leonard Green & Partners, L.P.	153	Trustee, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT; Director, PS Business Parks; Director, Big 5 Sporting Goods Corporation.
Kym M. Hubbard (1957) *Trustee*	02/2017 to present	Formerly, Global Head of Investments, Chief Investment Officer and Treasurer, Ernst & Young.	132	Trustee, PIMCO Funds and PIMCO ETF Trust; Director, State Auto Financial Corporation.
Gary F. Kennedy (1955) *Trustee*	04/2015 to present	Formerly, Senior Vice President, General Counsel and Chief Compliance Officer, American Airlines and AMR Corporation (now American Airlines Group) (1/03-1/14).	132	Trustee, PIMCO Funds and PIMCO ETF Trust.
Peter B. McCarthy (1950) *Trustee*	04/2015 to present	Formerly, Assistant Secretary and Chief Financial Officer, United States Department of Treasury; Deputy Managing Director, Institute of International Finance.	153	Trustee, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.
Ronald C. Parker (1951) *Lead Independent Trustee*	07/2009 to present Lead Independent Trustee - 02/2017 to present	Director of Roseburg Forest Products Company. Formerly, Chairman of the Board, The Ford Family Foundation; and President, Chief Executive Officer, Hampton Affiliates (forestry products).	153	Lead Independent Trustee, PIMCO Funds and PIMCO ETF Trust; Trustee, PIMCO Equity Series and PIMCO Equity Series VIT.

* Unless otherwise noted, the information for the individuals listed is as of December 31, 2018.

** Effective February 13, 2019, Mr. Strelow became the Chairman of the Trust.

[1] Mr. Harris and Mr. Strelow are "interested persons" of the Trust (as that term is defined in the 1940 Act) because of their affiliations with PIMCO.

† Trustees serve until their successors are duly elected and qualified.

Executive Officers

Name, Year of Birth and Position Held with Trust	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years*
Peter G. Strelow (1970) *President*	01/2015 to present	Managing Director and Co-Chief Operating Officer, PIMCO. President, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds. Formerly, Chief Administrative Officer, PIMCO.
Joshua D. Ratner (1976)** *Chief Legal Officer*	11/2018 to present Vice President - Senior Counsel and Secretary 11/2013 to 11/2018 Assistant Secretary 10/2007 to 01/2011	Executive Vice President and Deputy General Counsel, PIMCO. Chief Legal Officer, PIMCO Investments LLC. Chief Legal Officer, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds.
Jennifer E. Durham (1970) *Chief Compliance Officer*	07/2004 to present	Managing Director and Chief Compliance Officer, PIMCO. Chief Compliance Officer, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.
Brent R. Harris (1959) *Senior Vice President*	01/2015 to present President 03/2009 to 01/2015	Managing Director, PIMCO. Senior Vice President, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT. Formerly, member of Executive Committee, PIMCO.
Ryan G. Leshaw (1980) *Vice President, Senior Counsel and Secretary*	11/2018 to present Assistant Secretary 05/2012 to 11/2018	Senior Vice President and Senior Counsel, PIMCO. Vice President, Senior Counsel and Secretary, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT. Assistant Secretary, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds. Formerly, Associate, Willkie Farr & Gallagher LLP.
Wu-Kwan Kit (1981) *Assistant Secretary*	08/2017 to present	Senior Vice President and Senior Counsel, PIMCO. Assistant Secretary, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT. Vice President, Senior Counsel and Secretary, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds. Formerly, Assistant General Counsel, VanEck Associates Corp.
Stacie D. Anctil (1969) *Vice President*	05/2015 to present Assistant Treasurer 11/2003 to 05/2015	Executive Vice President, PIMCO. Vice President, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds.
William G. Galipeau (1974) *Vice President*	11/2013 to present	Executive Vice President, PIMCO. Vice President, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds.
Eric D. Johnson (1970) *Vice President*	05/2011 to present	Executive Vice President, PIMCO. Vice President, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds.
Henrik P. Larsen (1970) *Vice President*	02/1999 to present	Senior Vice President, PIMCO. Vice President, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.
Bijal Y. Parikh (1978) *Vice President*	02/2017 to present	Senior Vice President, PIMCO. Vice President, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds.
Greggory S. Wolf (1970) *Vice President*	05/2011 to present	Senior Vice President, PIMCO. Vice President, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.
Trent W. Walker (1974) *Treasurer*	11/2013 to present	Executive Vice President, PIMCO. Treasurer, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds.
Erik C. Brown (1967)** *Assistant Treasurer*	02/2001 to present	Executive Vice President, PIMCO. Assistant Treasurer, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds.
Colleen D. Miller (1980)** *Assistant Treasurer*	02/2017 to present	Senior Vice President, PIMCO. Assistant Treasurer, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds.
Christopher M. Morin (1980) *Assistant Treasurer*	08/2016 to present	Senior Vice President, PIMCO. Assistant Treasurer, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds.
Jason J. Nagler (1982)** *Assistant Treasurer*	05/2015 to present	Senior Vice President, PIMCO. Assistant Treasurer, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds.

* The term "PIMCO-Sponsored Closed-End Funds" as used herein includes: PIMCO California Municipal Income Fund, PIMCO California Municipal Income Fund II, PIMCO California Municipal Income Fund III, PIMCO Municipal Income Fund, PIMCO Municipal Income Fund II, PIMCO Municipal Income Fund III, PIMCO New York Municipal Income Fund, PIMCO New York Municipal Income Fund II, PIMCO New York Municipal Income Fund III, PCM Fund Inc., PIMCO Corporate & Income Opportunity Fund, PIMCO Corporate & Income Strategy Fund, PIMCO Dynamic Credit and Mortgage Income Fund, PIMCO Dynamic Income Fund, PIMCO Global StocksPLUS® & Income Fund, PIMCO High Income Fund, PIMCO Income Opportunity Fund, PIMCO Income Strategy Fund, PIMCO Income Strategy Fund II and PIMCO Strategic Income Fund, Inc.; the term "PIMCO-Sponsored Interval Funds" as used herein includes: PIMCO Flexible Credit Income Fund and PIMCO Flexible Municipal Income Fund.

** The address of these officers is Pacific Investment Management Company LLC, 1633 Broadway, New York, New York 10019.

Privacy Policy[1]

(Unaudited)

The Trust[2,3] considers customer privacy to be a fundamental aspect of its relationships with shareholders and is committed to maintaining the confidentiality, integrity and security of its current, prospective and former shareholders' non-public personal information. The Trust has developed policies that are designed to protect this confidentiality, while allowing shareholder needs to be served.

OBTAINING PERSONAL INFORMATION

In the course of providing shareholders with products and services, the Trust and certain service providers to the Trust, such as the Trust's investment advisers or sub-advisers ("Advisers"), may obtain non-public personal information about shareholders, which may come from sources such as account applications and other forms, from other written, electronic or verbal correspondence, from shareholder transactions, from a shareholder's brokerage or financial advisory firm, financial advisor or consultant, and/or from information captured on applicable websites.

RESPECTING YOUR PRIVACY

As a matter of policy, the Trust does not disclose any non-public personal information provided by shareholders or gathered by the Trust to non-affiliated third parties, except as required or permitted by law or as necessary for such third parties to perform their agreements with respect to the Trust. As is common in the industry, non-affiliated companies may from time to time be used to provide certain services, such as preparing and mailing prospectuses, reports, account statements and other information, conducting research on shareholder satisfaction and gathering shareholder proxies. The Trust or its affiliates may also retain non-affiliated companies to market the Trust's shares or products which use the Trust's shares and enter into joint marketing arrangements with them and other companies. These companies may have access to a shareholder's personal and account information, but are permitted to use this information solely to provide the specific service or as otherwise permitted by law. In most cases, the shareholders will be clients of a third party, but the Trust may also provide a shareholder's personal and account information to the shareholder's respective brokerage or financial advisory firm and/or financial advisor or consultant.

SHARING INFORMATION WITH THIRD PARTIES

The Trust reserves the right to disclose or report personal or account information to non-affiliated third parties in limited circumstances where the Trust believes in good faith that disclosure is required under law, to cooperate with regulators or law enforcement authorities, to protect its rights or property, or upon reasonable request by any fund advised by PIMCO in which a shareholder has invested. In addition, the Trust may disclose information about a shareholder or a shareholder's accounts to a non-affiliated third party at the shareholder's request or with the consent of the shareholder.

SHARING INFORMATION WITH AFFILIATES

The Trust may share shareholder information with its affiliates in connection with servicing shareholders' accounts, and subject to applicable law may provide shareholders with information about products and services that the Trust or its Advisers, distributors or their affiliates ("Service Affiliates") believe may be of interest to such shareholders. The information that the Trust may share may include, for example, a shareholder's participation in the Trust or in other investment programs sponsored by a Service Affiliate, a shareholder's ownership of certain types of accounts (such as IRAs), information about the Trust's experiences or transactions with a shareholder, information captured on applicable websites, or other data about a shareholder's accounts, subject to applicable law. The Trust's Service Affiliates, in turn, are not permitted to share shareholder information with non-affiliated entities, except as required or permitted by law.

PROCEDURES TO SAFEGUARD PRIVATE INFORMATION

The Trust takes seriously the obligation to safeguard shareholder non-public personal information. In addition to this policy, the Trust has implemented procedures that are designed to restrict access to a shareholder's non-public personal information to internal personnel who need to know that information to perform their jobs, such as servicing shareholder accounts or notifying shareholders of new products or services. Physical, electronic and procedural safeguards are in place to guard a shareholder's non-public personal information.

INFORMATION COLLECTED FROM WEBSITES

Websites maintained by the Trust or its service providers may use a variety of technologies to collect information that help the Trust and its service providers understand how the website is used. Information collected from your web browser (including small files stored on your device that are commonly referred to as "cookies") allow the websites to recognize your web browser and help to personalize and improve your user experience and enhance navigation of the website. In addition, the Trust or its Service Affiliates may use third parties to place advertisements for the Trust on other websites, including banner advertisements. Such third parties may collect anonymous information through the use of cookies or action tags (such as web beacons). The information these third parties collect is generally limited to technical and web navigation information, such as your IP address, web pages visited and browser type, and does not include personally identifiable information such as name, address, phone number or email address. If you are a registered user of the Trust's website, the Trust or their service providers or third party firms engaged by the Trust or their service providers may collect or share information submitted by you, which may include personally identifiable information. This information can be useful to the Trust when assessing and offering services and website features. You can change your cookie preferences by changing the setting on your web browser to delete or reject cookies. If you delete or reject cookies, some website pages may not function properly. The Trust does not look for web browser "do not track" requests.

CHANGES TO THE PRIVACY POLICY

From time to time, the Trust may update or revise this privacy policy. If there are changes to the terms of this privacy policy, documents containing the revised policy on the relevant website will be updated.

[1] Amended as of February 15, 2017.

[2] PIMCO Investments LLC ("PI") serves as the Trust's distributor. This Privacy Policy applies to the activities of PI to the extent that PI regularly effects or engages in transactions with or for a Trust shareholder who is the record owner of such shares. For purposes of this Privacy Policy, references to "the Trust" shall include PI when acting in this capacity.

[3] When distributing this Policy, the Trust may combine the distribution with any similar distribution of its investment adviser's privacy policy. The distributed, combined policy may be written in the first person (i.e., by using "we" instead of "the Trust").

Approval of Renewal of the Amended and Restated Investment Advisory Contract, Supervision and Administration Agreement and Amended and Restated Asset Allocation Sub-Advisory Agreement

At a meeting held on August 20-21, 2018, the Board of Trustees (the "Board") of PIMCO Variable Insurance Trust (the "Trust"), including the Trustees who are not "interested persons" of the Trust under the Investment Company Act of 1940, as amended (the "Independent Trustees"), considered and unanimously approved the renewal of the Amended and Restated Investment Advisory Contract (the "Investment Advisory Contract") between the Trust, on behalf of each of the Trust's series (the "Portfolios"), and Pacific Investment Management Company LLC ("PIMCO") for an additional one-year term through August 31, 2019. The Board also considered and unanimously approved the renewal of the Supervision and Administration Agreement (together with the Investment Advisory Contract, the "Agreements") between the Trust, on behalf of the Portfolios, and PIMCO for an additional one-year term through August 31, 2019. In addition, the Board considered and unanimously approved the renewal of the Amended and Restated Asset Allocation Sub-Advisory Agreement (the "Asset Allocation Agreement") between PIMCO, on behalf of PIMCO All Asset Portfolio and PIMCO All Asset All Authority Portfolio, each a series of the Trust, and Research Affiliates, LLC ("Research Affiliates") for an additional one-year term through August 31, 2019.

The information, material factors and conclusions that formed the basis for the Board's approvals are summarized below.

1. INFORMATION RECEIVED

(a) Materials Reviewed: During the course of the past year, the Trustees received a wide variety of materials relating to the services provided by PIMCO and Research Affiliates to the Trust. At each of its quarterly meetings, the Board reviewed the Portfolios' investment performance and a significant amount of information relating to Portfolio operations, including shareholder services, valuation and custody, the Portfolios' compliance program and other information relating to the nature, extent and quality of services provided by PIMCO and Research Affiliates to the Trust and each of the Portfolios, as applicable. In considering whether to approve the renewal of the Agreements and the Asset Allocation Agreement, the Board reviewed additional information, including, but not limited to, comparative industry data with regard to investment performance, advisory and supervisory and administrative fees and expenses, financial information for PIMCO and, where relevant, Research Affiliates, information regarding the profitability to PIMCO of its relationship with the Portfolios, information about the personnel providing investment management services, other advisory services and supervisory and administrative services to the Portfolios, and information about the fees charged and services provided to other clients with similar investment mandates as the Portfolios, where applicable. In addition, the Board reviewed materials provided by counsel to the Trust and the Independent Trustees, which included, among other things, memoranda outlining legal duties of the Board in considering the renewal of the Agreements and the Asset Allocation Agreement.

(b) Review Process: In connection with considering the renewal of the Agreements and the Asset Allocation Agreement, the Board reviewed written materials prepared by PIMCO and, where applicable, Research Affiliates in response to requests from counsel to the Trust and the Independent Trustees encompassing a wide variety of topics. The Board requested and received assistance and advice regarding, among other things, applicable legal standards from counsel to the Trust and the Independent Trustees, and reviewed comparative fee and performance data prepared at the Board's request by Broadridge Financial Solutions, Inc. ("Broadridge"), an independent provider of investment company performance information and fee and expense data. The Board received information on matters related to the Agreements and the Asset Allocation Agreement and met both as a full Board and in a separate session of the Independent Trustees, without management present, at the August 20-21, 2018 meeting. The Independent Trustees also conducted in-person meetings with counsel to the Trust and the Independent Trustees, including one on July 18, 2018, to discuss the Lipper Report, as defined below, and certain aspects of the 2018 15(c) materials presented and other matters deemed relevant to their consideration of the renewal of the Agreements and the Asset Allocation Agreement. In connection with its review of the Agreements, the Board received comparative information on the performance and the fees and expenses of other peer group funds and share classes. In addition, the Independent Trustees requested and received supplemental information.

The approval determinations were made on the basis of each Trustee's business judgment after consideration and evaluation of all the information presented. Individual Trustees may have given different weights to certain factors and assigned various degrees of materiality to information received in connection with the approval process. In deciding to approve the renewal of the Agreements and the Asset Allocation Agreement, the Board did not identify any single factor or particular information that, in isolation, was controlling. The discussion below is intended to summarize the broad factors and information that figured prominently in the Board's consideration of the renewal of the Agreements and the Asset Allocation Agreement, but is not intended to summarize all of the factors considered by the Board.

2. NATURE, EXTENT AND QUALITY OF SERVICES

(a) PIMCO, Research Affiliates, their Personnel, and Resources: The Board considered the depth and quality of PIMCO's investment management process, including: the experience, capability and integrity

of its senior management and other personnel; the overall financial strength and stability of its organization; and the ability of its organizational structure to address changes in the Portfolios' asset levels. The Board also considered the various services in addition to portfolio management that PIMCO provides under the Investment Advisory Contract. The Board noted that PIMCO makes available to its investment professionals a variety of resources and systems relating to investment management, compliance, trading, performance and portfolio accounting. The Board also noted PIMCO's commitment to enhancing and investing in its global infrastructure, technology capabilities, risk management processes and the specialized talent needed to stay at the forefront of the competitive investment management industry and to strengthen its ability to deliver services under the Agreements. The Board considered PIMCO's policies, procedures and systems reasonably designed to assure compliance with applicable laws and regulations and its commitment to further developing and strengthening these programs, its oversight of matters that may involve conflicts of interest between the Portfolios' investments and those of other accounts managed by PIMCO, and its efforts to keep the Trustees informed about matters relevant to the Portfolios and their shareholders. The Board also considered PIMCO's continuous investment in new disciplines and talented personnel, which has enhanced PIMCO's services to the Portfolios and has allowed PIMCO to introduce innovative new portfolios over time. In addition, the Board considered the nature and quality of services provided by PIMCO to the wholly-owned subsidiaries of certain applicable Portfolios.

The Trustees considered that PIMCO has continued to strengthen the process it uses to actively manage counterparty risk and to assess the financial stability of counterparties with which the Portfolios do business, to manage collateral and to protect Portfolios from an unforeseen deterioration in the creditworthiness of trading counterparties. The Trustees noted that, consistent with its fiduciary duty, PIMCO executes transactions through a competitive best execution process and uses only those counterparties that meet its stringent and monitored criteria. The Trustees considered that PIMCO's collateral management team utilizes a counterparty risk system to analyze portfolio level exposure and collateral being exchanged with counterparties.

In addition, the Trustees considered new services and service enhancements that PIMCO has implemented since the Board renewed the Agreements in 2017, including, but not limited to upgrading the global network and infrastructure to support trading and risk management systems; enhancing and continuing to expand capabilities within the pre-trade compliance platform; enhancing flexible client reporting capabilities to support increased differentiation within local markets; developing new application and database frameworks to support new trading strategies; expanding proprietary applications suites to enrich capabilities across Compliance, Analytics, Risk Management, Client Reporting, Attribution and Customer Relationship management; continuing investment in its enterprise risk management function, including PIMCO's cybersecurity program and global business continuity functions; oversight by the Americas Fund Oversight Committee, which provides senior-level oversight and supervision focused on new and ongoing fund-related business opportunities; engaging a third party service provider to implement the SEC reporting modernization regime; expanding the Fund Treasurer's Office; enhancing a proprietary application to provide portfolio managers with more timely and high quality income reporting; developing a global tax management application that will enable investment professionals to access foreign market and security tax information on a real-time basis; enhancing reporting of tax reporting for portfolio managers for income products with improved transparency on tax factors impacting income generation and dividend yield; upgrading a proprietary application to allow shareholder subscription and redemption data to pass to portfolio managers more quickly and efficiently; and continuing to expand the pricing portal and the proprietary performance reconciliation tool.

Similarly, the Board considered the asset allocation services provided by Research Affiliates to the PIMCO All Asset Portfolio and PIMCO All Asset All Authority Portfolio. The Board further considered PIMCO's oversight of Research Affiliates in connection with Research Affiliates providing asset allocation services to the Asset Portfolio and All Asset All Authority Portfolio. The Board also considered the depth and quality of Research Affiliates' investment management and research capabilities, the experience and capabilities of its portfolio management personnel and the overall financial strength of the organization.

Ultimately, the Board concluded that the nature, extent and quality of services provided or procured by PIMCO under the Agreements and provided by Research Affiliates under the Asset Allocation Agreement are likely to continue to benefit the Portfolios and their respective shareholders, as applicable.

(b) Other Services: The Board also considered the nature, extent and quality of supervisory and administrative services provided by PIMCO to the Portfolios under the Supervision and Administration Agreement.

The Board considered the terms of the Supervision and Administration Agreement, under which the Trust pays for the supervisory and administrative services provided pursuant to that agreement under what is essentially an all-in fee structure (the "unified fee"). In return, PIMCO provides or procures certain supervisory and administrative services and bears the costs of various third party services required by the Portfolios, including audit, custodial, portfolio accounting, legal, transfer agency, sub-accounting and printing costs. The Board noted that the scope and complexity, as well as the costs, of the supervisory

and administrative services provided by PIMCO under the Supervision and Administration Agreement continue to increase. The Board considered PIMCO's provision of supervisory and administrative services and its supervision of the Trust's third party service providers to assure that these service providers continue to provide a high level of service relative to alternatives available in the market.

Ultimately, the Board concluded that the nature, extent and quality of the services provided by PIMCO has benefited, and will likely continue to benefit, the Portfolios and their shareholders.

3. INVESTMENT PERFORMANCE

The Board reviewed information from PIMCO concerning the Portfolios' performance, as available, over short- and long-term periods ended March 31, 2018 and other performance data, as available, over short- and long-term periods ended June 30, 2018 (the "PIMCO Report") and from Broadridge concerning the Portfolios' performance, as available, over short- and long-term periods ended March 31, 2018 (the "Lipper Report").

The Board considered information regarding both the short- and long-term investment performance of each Portfolio relative to its peer group and relevant benchmark index as provided to the Board in advance of each of its quarterly meetings throughout the year, including the PIMCO Report and Lipper Report, which were provided in advance of the August 20-21, 2018 meeting. The Trustees noted that many of the Portfolios outperformed their respective Lipper medians on a net-of-fees basis over the three-, five- and ten-year periods ended March 31, 2018. The Board also noted that, as of March 31, 2018, the Administrative Class of 72%, 35% and 73% of the Portfolios outperformed their respective Lipper category median on a net-of-fees basis over the three-, five- and ten-year periods, respectively. The Trustees considered that other classes of each Portfolio would have substantially similar performance to that of the Administrative Class of the relevant Portfolio on a relative basis because all of the classes are invested in the same portfolio of investments and that differences in performance among classes could principally be attributed to differences in the supervisory and administrative fees and distribution and servicing expenses of each class. The Board also considered that the investment objectives of certain of the Portfolios may not always be identical to those of the other funds in their respective peer groups and that the Lipper categories do not: separate funds based upon maturity or duration; account for the applicable Portfolios' hedging strategies; distinguish between enhanced index and actively managed equity strategies; include as many subsets as the Portfolios offer (*i.e.*, Portfolios may be placed in a "catch-all" Lipper category to which they do not properly belong); or account for certain fee waivers. The Board noted that, due to these differences, performance comparisons between certain of the Portfolios and their so-called peers may not be particularly relevant to the consideration of Portfolio performance but found the comparative information supported its overall evaluation.

The Board noted that performance for a majority of the Portfolios has been mixed compared to their respective benchmark indexes over the five-year period ended March 31, 2018. The Board noted that, as of March 31, 2018, 70%, 23% and 92% of the Trust's assets (based on Administrative Class performance) outperformed their respective benchmarks on a net-of-fees basis over the three-, five- and ten-year periods, respectively. The Board also discussed actions that have been taken by PIMCO to attempt to improve performance and took note of PIMCO's plans to monitor performance going forward.

The Board considered PIMCO's discussion of the intensive nature of managing bond funds, noting that it requires the management of a number of factors, including: varying maturities; prepayments; collateral management; counterparty management; pay-downs; credit and corporate events; workouts; derivatives; net new issuance in the bond market; and decreased market maker inventory levels. The Board noted that in addition to managing these factors, PIMCO must also balance risk controls and strategic positions in each portfolio it manages, including the Portfolios. Despite these challenges, the Board noted PIMCO's ability to generate non-market correlated excess performance for its clients over time, including the Trust.

The Board ultimately concluded, within the context of all of its considerations in connection with the Agreements, that PIMCO's performance record and process in managing the Portfolios indicates that its continued management is likely to benefit the Portfolios and their shareholders, and merits the approval of the renewal of the Agreements.

4. ADVISORY FEES, SUPERVISORY AND ADMINISTRATIVE FEES AND TOTAL EXPENSES

The Board considered that PIMCO seeks to price new funds and classes to scale. PIMCO reported to the Board that, in proposing fees for any Portfolio or class of shares, it considers a number of factors, including, but not limited to, the type and complexity of the services provided, the cost of providing services, the risk assumed by PIMCO in the development of products and the provision of services and the competitive marketplace for financial products. Fees charged to or proposed for different Portfolios for advisory services and supervisory and administrative services may vary in light of these various factors. The Board considered that portfolio pricing generally is not driven by comparison to passively-managed products.

In addition, PIMCO reported to the Board that it periodically reviews the fees charged to the Portfolios. The Board noted that, based upon this review, PIMCO may propose advisory fee or supervisory and administrative fee changes where (i) a Portfolio's long-term performance warrants additional consideration; (ii) there is a notable aid to market

position; (iii) a Portfolio's fee does not reflect the current level of supervision or administrative fees provided to the Portfolio; or (iv) PIMCO would like to change a Portfolio's overall strategic positioning.

The Board reviewed the advisory fees, supervisory and administrative fees and total expenses of the Portfolios (each as a percentage of average net assets) and compared such amounts with the average and median fee and expense levels of other similar funds. The Board also reviewed information relating to the sub-advisory fees paid to Research Affiliates with respect to applicable Portfolios, taking into account that PIMCO compensates Research Affiliates from the advisory fees paid by such Portfolios to PIMCO. With respect to advisory fees, the Board reviewed data from Broadridge that compared the average and median advisory fees of other funds in a "Peer Group" of comparable funds, as well as the universe of other similar funds. The Board noted that a number of Portfolios have total expense ratios that fall below the average and median expense ratios in their Peer Group and Lipper universe. In addition, the Board considered fee waivers in place for certain of the Portfolios and also noted the fee waivers in place with respect to the advisory fee and supervisory and administrative fee that might result from investments by applicable Portfolios in their respective wholly-owned subsidiaries. The Board also considered that PIMCO reviews the Portfolios' fee levels and carefully considers changes where appropriate.

The Board also reviewed data comparing the Portfolios' advisory fees to the standard and negotiated fee rates PIMCO charges to separate accounts, collective investment trusts and sub-advised clients with similar investment strategies. In cases where the fees for other clients were lower than those charged to the Portfolios, the Trustees noted that the differences in fees were attributable to various factors, including, but not limited to, differences in the advisory and other services provided by PIMCO to the Portfolios, differences in the number or extent of the services provided by PIMCO to the Portfolios, the manner in which similar portfolios may be managed, different requirements with respect to liquidity management and the implementation of other regulatory requirements, and the fact that separate accounts may have other contractual arrangements or arrangements across PIMCO strategies that justify different levels of fees. The Board considered that, with respect to collective investment trusts, PIMCO performs fewer or less extensive services because collective investment trusts are generally exempt from SEC regulation; investors in a collective investment trust may receive shareholder services from a trustee bank, rather than PIMCO; collective investment trusts have less regulatory disclosure; and the management structure of collective investment trusts differs from that of funds. The Trustees also considered that PIMCO faces increased entrepreneurial, legal and regulatory risk in sponsoring and managing mutual funds and ETFs as compared to separate accounts, external sub-advised funds or other investment products.

Regarding advisory fees charged by PIMCO in its capacity as sub-adviser to third party/unaffiliated funds, the Trustees took into account that such fees may be lower than the fees charged by PIMCO to serve as adviser to the Portfolios. The Trustees also took into account that there are various reasons for any such differences in fees, including, but not limited to, the fact that PIMCO may be subject to varying levels of entrepreneurial risk and regulatory requirements, differing legal liabilities on a contract-by-contract basis and different servicing requirements when PIMCO does not serve as the sponsor of a fund and is not principally responsible for all aspects of a fund's investment program and operations as compared to when PIMCO serves as investment adviser and sponsor.

The Board considered the Portfolios' supervisory and administrative fees, comparing them to similar funds in the report supplied by Broadridge. The Board also considered that as the Portfolios' business has become increasingly complex and the number of Portfolios has grown over time, PIMCO has provided an increasingly broad array of fund supervisory and administrative functions. In addition, the Board considered the Trust's unified fee structure, under which the Trust pays for the supervisory and administrative services it requires for one set fee. In return for this unified fee, PIMCO provides or procures supervisory and administrative services and bears the costs of various third party services required by the Portfolios, including audit, custodial, portfolio accounting, legal, transfer agency, sub-accounting and printing costs. The Board further considered that many other funds pay for comparable services separately, and thus it is difficult to directly compare the Trust's unified supervisory and administrative fees with the fees paid by other funds for administrative services alone. The Board also considered that the unified supervisory and administrative fee leads to Portfolio fees that are fixed over the contract period, rather than variable. The Board noted that, although the unified fee structure does not have breakpoints, it implicitly reflects economies of scale by fixing the absolute level of Portfolio fees at competitive levels over the contract period even if the Portfolios' operating costs rise when assets remain flat or decrease. Other factors the Board considered in assessing the unified fee include PIMCO's approach of pricing Portfolios to scale at inception and reinvesting in other important areas of the business that support the Portfolios. The Board considered that the Portfolios' unified fee structure meant that fees were not impacted by recent outflows in certain Portfolios, unlike funds without a unified fee structure, which may see increased expense ratios when fixed costs, such as service provider costs, are passed through to a smaller asset base. The Board considered historical advisory and supervisory and administrative fee reductions implemented for different Portfolios and classes, noting that the unified fee can be increased or decreased in subsequent contractual periods and is subject to the periodic reviews discussed above. The Board noted that, with few exceptions, PIMCO

has generally maintained Portfolio fees at the same level as implemented when the unified fee was adopted, and has reduced fees for a number of Portfolios in prior years. The Board concluded that the Portfolios' supervisory and administrative fees were reasonable in relation to the value of the services provided, including the services provided to different classes of shareholders, and that the expenses assumed contractually by PIMCO under the Supervision and Administration Agreement represent, in effect, a cap on overall Portfolio fees during the contractual period, which is beneficial to the Portfolios and their shareholders.

The Board considered the Portfolios' total expenses and discussed with PIMCO those Portfolios and/or classes of Portfolios that had above median total expenses. The Board noted that many of the Portfolios are unique products that have few peers, if any, and cannot easily be grouped with comparable funds. Upon comparing the Portfolios' total expenses to other funds in the "Peer Groups" provided by Broadridge, the Board found total expenses of each Portfolio to be reasonable.

The Trustees also considered the advisory fees charged to the Portfolios that operate as funds of funds (the "Funds of Funds") and the advisory services provided in exchange for such fees. The Trustees determined that such services were in addition to the advisory services provided to the underlying funds in which the Funds of Funds may invest and, therefore, such services were not duplicative of the advisory services provided to the underlying funds. The Board also considered the various fee waiver agreements in place for the Funds of Funds. The Board noted that PIMCO is continuing waivers for these Funds of Funds, as well as for certain other Portfolios of the Trust.

Based on the information presented by PIMCO, Research Affiliates and Broadridge, members of the Board determined, in the exercise of their business judgment, that the level of the advisory fees and supervisory and administrative fees charged by PIMCO under the Agreements, as well as the total expenses of each Portfolio, after the proposals to decrease the management fee, are reasonable.

5. ADVISER COSTS, LEVEL OF PROFITS AND ECONOMIES OF SCALE

The Board reviewed information regarding PIMCO's costs of providing services to the Funds as a whole, as well as the resulting level of profits to PIMCO under both the adjusted asset profitability method and the profit and loss profitability method, which were each utilized to calculate profitability. To the extent applicable, the Board also reviewed information regarding the portion of a Portfolio's advisory fee retained by PIMCO, following the payment of sub-advisory fees to Research Affiliates, with respect to the Portfolio. Additionally, the Board noted that profit margins with respect to the Trust shows that the Trust is profitable, although less so than PIMCO Funds due to payments made by PIMCO to participating insurance companies. The Board further noted PIMCO's engagement of a third party to review and to make recommendations regarding PIMCO's processes supporting its profitability estimation materials. The Board also noted that it had received information regarding the structure and manner in which PIMCO's investment professionals were compensated, and PIMCO's view of the relationship of such compensation to the attraction and retention of quality personnel. The Board considered PIMCO's need to invest in global infrastructure, technology capabilities, risk management processes and qualified personnel to reinforce and offer new services and to accommodate changing regulatory requirements.

With respect to potential economies of scale, the Board noted that PIMCO shares the benefits of economies of scale with the Portfolios and their shareholders in a number of ways, including investing in portfolio and trade operations management, firm technology, middle and back office support, legal and compliance, and fund administration logistics, senior management supervision, governance and oversight of those services, and through fee reductions or waivers, the pricing of Portfolios to scale from inception, and the enhancement of services provided to the Portfolios in return for fees paid. The Board reviewed the history of the Portfolios' fee structure. The Board considered that the Portfolios' unified fee rates had been set competitively and/or priced to scale from inception, had been held steady during the contractual period at that scaled competitive rate for most Portfolios as assets grew, or as assets declined in the case of some Portfolios, and continued to be competitive compared with peers. The Board also considered that the unified fee is a transparent means of informing a Portfolio's shareholders of the fees associated with the Portfolio, and that the Portfolio bears certain expenses that are not covered by the advisory fee or the unified fee. The Board further considered the challenges that arise when managing large funds, which can result in certain "diseconomies" of scale and noted that PIMCO has continued to reinvest in many areas of the business to support the Portfolios.

The Trustees considered that the unified fee has provided inherent economies of scale because a Portfolio maintains competitive fixed fees over the annual contract period even if the particular Portfolio's assets decline and/or operating costs rise. The Trustees further considered that, in contrast, breakpoints may be a proxy for charging higher fees on lower asset levels and that when a fund's assets decline, breakpoints may reverse, which causes expense ratios to increase. The Trustees also considered that, unlike the Portfolios' unified fee structure, funds with "pass through" administrative fee structures may experience increased expense ratios when fixed dollar fees are charged against declining fund assets. The Trustees also considered that the unified fee protects shareholders from a rise in operating costs that may result from, among other things, PIMCO's investments in various business enhancements and infrastructure, including those referenced above. The Trustees noted that PIMCO's investments in these areas are extensive.

The Board concluded that the Portfolios' cost structures were reasonable and that PIMCO is appropriately sharing economies of scale, if any, through the Portfolios' unified fee structure, generally pricing Portfolios to scale at inception and reinvesting in its business to provide enhanced and expanded services to the Portfolios and their shareholders.

6. ANCILLARY BENEFITS

The Board considered other benefits realized by PIMCO and its affiliates as a result of PIMCO's relationship with the Trust. Such benefits may include possible ancillary benefits to PIMCO's institutional investment management business due to the reputation and market penetration of the Trust or third party service providers' relationship-level fee concessions, which decrease fees paid by PIMCO. The Board also considered that affiliates of PIMCO provide distribution and/or shareholder services to the Portfolios and their shareholders, for which they may be compensated through distribution and servicing fees paid pursuant to the Portfolios' Rule 12b-1 plans or otherwise. The Board reviewed PIMCO's soft dollar policies and procedures, noting that while PIMCO has the authority to receive the benefit of research provided by broker-dealers executing portfolio transactions on behalf of the Portfolios, it has adopted a policy not to enter into contractual soft dollar arrangements.

7. CONCLUSIONS

Based on their review, including their comprehensive consideration and evaluation of each of the broad factors and information summarized above, the Independent Trustees and the Board as a whole concluded that the nature, extent and quality of the services rendered to the Portfolios by PIMCO and Research Affiliates supported the renewal of the Agreements and the Asset Allocation Agreement. The Independent Trustees and the Board as a whole concluded that the Agreements and the Asset Allocation Agreement continued to be fair and reasonable to the Portfolios and their shareholders, that the Portfolios' shareholders received reasonable value in return for the fees paid to PIMCO by the Portfolios under the Agreements and the fees paid to Research Affiliates by PIMCO under the Asset Allocation Agreement, and that the renewal of the Agreements and the Asset Allocation Agreement was in the best interests of the Portfolios and their shareholders.

General Information

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Pacific Investment Management Company LLC
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Kansas City, MO 64106

This report is submitted for the general information of the shareholders of the PIMCO Variable Insurance Trust.

PIMCO

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PIMCO VARIABLE INSURANCE TRUST

PIMCO Total Return Portfolio

This brochure contains the following documents:

- Recent prospectus supplements relating to the above fund(s)
- The Annual Report dated December 31, 2018 (following the supplement(s))

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, you may not be receiving paper copies of the Fund's shareholder reports from the insurance company that offers your contract unless you specifically request paper copies from the insurance company or from your financial intermediary. Instead, the shareholder reports will be made available on a website, and the insurance company will notify you by mail each time a report is posted and provide you with a website link to access the report. Instructions for requesting paper copies will be provided by your insurance company.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the insurance company electronically by following the instructions provided by the insurance company.

You may elect to receive all future reports in paper free of charge from the insurance company. You should contact the insurance company if you wish to continue receiving paper copies of your shareholder reports. Your election to receive reports in paper will apply to all portfolio companies available under your contract at the insurance company.

A company of Allianz

PIMCO Variable Insurance Trust

Supplement dated July 26, 2018 to the Administrative Class Prospectus, Institutional Class Prospectus and Advisor Class and Class M Prospectus, each dated April 30, 2018, each as supplemented from time to time (the "Cluster Prospectuses"); Prospectuses for each share class of the PIMCO All Asset Portfolio, PIMCO All Asset All Authority Portfolio (together with the Prospectus for each share class of the PIMCO All Asset Portfolio, the "Asset Allocation Standalone Prospectuses"), PIMCO Balanced Allocation Portfolio, PIMCO CommodityRealReturn® Strategy Portfolio, PIMCO Emerging Markets Bond Portfolio, PIMCO International Bond Portfolio (Unhedged), PIMCO International Bond Portfolio (U.S. Dollar-Hedged), PIMCO Global Core Bond (Hedged) Portfolio, PIMCO Global Bond Opportunities Portfolio (Unhedged), PIMCO Global Diversified Allocation Portfolio, PIMCO Global Multi-Asset Managed Allocation Portfolio, PIMCO High Yield Portfolio, PIMCO Income Portfolio, PIMCO Low Duration Portfolio, PIMCO Real Return Portfolio, PIMCO Short-Term Portfolio, PIMCO Total Return Portfolio and PIMCO Dynamic Bond Portfolio (each of the foregoing except for the Asset Allocation Standalone Prospectuses and Cluster Prospectuses, the "non-Asset Allocation Standalone Prospectuses"), each dated April 30, 2018, each as supplemented from time to time; and the Statement of Additional Information dated April 30, 2018, as supplemented from time to time (the "SAI")

Effective July 30, 2018, the first paragraph in the "Characteristics and Risks of Securities and Investment Techniques—Foreign (Non-U.S.) Securities" section of the Cluster Prospectuses is deleted in its entirety and replaced with the following:

Certain Portfolios may invest in securities and instruments that are economically tied to foreign (non-U.S.) countries. PIMCO generally considers an instrument to be economically tied to a non-U.S. country if the issuer is a foreign (non-U.S.) government (or any political subdivision, agency, authority or instrumentality of such government), or if the issuer is organized under the laws of a non-U.S. country. The Portfolio's investments in foreign (non-U.S.) securities may include American Depositary Receipts ("ADRs"), European Depositary Receipts ("EDRs"), Global Depositary Receipts ("GDRs") and similar securities that represent interests in a non-U.S. company's securities that have been deposited with a bank or trust and that trade on a U.S. exchange or over-the-counter. ADRs, EDRs and GDRs may be less liquid or may trade at a different price than the underlying securities of the issuer. In the case of money market instruments other than commercial paper and certificates of deposit, such instruments will be considered economically tied to a non-U.S. country if the issuer of such money market instrument is organized under the laws of a non-U.S. country. In the case of commercial paper and certificates of deposit, such instruments will be considered economically tied to a non-U.S. country if the "country of exposure" of such instrument is a non-U.S. country, as determined by the criteria set forth below. With respect to derivative instruments, PIMCO generally considers such instruments to be economically tied to non-U.S. countries if the underlying assets are foreign currencies (or baskets or indexes of such currencies), or instruments or securities that are issued by foreign governments or issuers organized under the laws of a non-U.S. country (or if the underlying assets are money market instruments other than commercial paper and certificates of deposit, the issuer of such money market instrument is organized under the laws of a non-U.S. country or, in the case of underlying assets that are commercial paper or certificates of deposit, if the "country of exposure" of such money market instrument is a non-U.S. country). A security's "country of exposure" is determined by PIMCO using certain factors provided by a third-party analytical service provider. The factors are applied in order such that the first factor to result in the assignment of a country determines the "country of exposure." Both the factors and the order in which they are applied may change in the discretion of PIMCO. The current factors, listed in the order in which they are applied, are: (i) if an asset-backed or other collateralized security, the country in which the collateral backing the security is located; (ii) the "country of risk" of the issuer; (iii) if the security is guaranteed by the government of a country (or any political subdivision, agency, authority or instrumentality of such government), the country of the government or instrumentality providing the guarantee; (iv) the "country of risk" of the issuer's ultimate parent; or (v) the country where the issuer is organized or incorporated under the laws thereof. "Country of risk" is a separate four-part test determined by the following factors, listed in order of importance: (i) management location; (ii) country of primary listing; (iii) sales or revenue attributable to the country; and (iv) reporting currency of the issuer.

In addition, effective July 30, 2018, the first paragraph in the "Characteristics and Risks of Securities and Investment Techniques—Foreign (Non-U.S.) Securities" section of the Asset Allocation Standalone Prospectuses is deleted in its entirety and replaced with the following:

Certain Underlying PIMCO Funds may invest in securities and instruments that are economically tied to foreign (non-U.S.) countries. PIMCO generally considers an instrument to be economically tied to a non-U.S. country if the issuer is a foreign (non-U.S.) government (or any political subdivision, agency, authority or instrumentality of such government), or if the issuer is organized under the laws of a non-U.S. country. The Portfolio's investments in foreign (non-U.S.) securities may include American Depositary Receipts ("ADRs"), European Depositary Receipts ("EDRs"), Global Depositary Receipts ("GDRs") and similar securities that represent interests in a non- U.S. company's securities that have been deposited with a bank or trust and that trade on a U.S. exchange or over-the-counter. ADRs, EDRs and GDRs may be less liquid or may trade at a different price than the underlying securities of the issuer. In the case of money market instruments other than commercial paper and certificates of deposit, such instruments will be considered economically tied to a non-U.S. country if the issuer of such money market instrument is organized under the laws of a non-U.S. country. In the case of commercial paper and certificates of deposit, such instruments will be considered economically tied to a non-U.S. country if the "country of exposure" of such instrument is a non-U.S. country, as determined by the criteria set forth below. With respect to derivative instruments, PIMCO generally considers such instruments to be economically tied to non-U.S. countries if the underlying assets are foreign currencies (or baskets or indexes of such currencies), or instruments or securities that are issued by foreign governments or issuers organized under the laws of a non-U.S. country (or if the underlying assets are money market instruments other than commercial paper and certificates of deposit, the issuer of such money market instrument is organized under the laws of a non-U.S. country or, in the case of underlying assets that are commercial paper or certificates of deposit, if the "country of exposure" of such money market instrument is a non-U.S. country). A security's "country of exposure" is determined by PIMCO using certain factors provided by a third-party analytical service provider. The factors are applied in order such that the first factor to result in the assignment of a country determines the "country of exposure." Both the factors and the order in which they are applied may change in the discretion of PIMCO. The current factors, listed in the order in which they are applied, are: (i) if an asset-backed or other collateralized security, the country in which the collateral backing the security is located; (ii) the "country of risk" of the issuer; (iii) if the security is guaranteed by the government of a country (or any political subdivision, agency, authority or instrumentality of such government), the country of the government or instrumentality providing the guarantee; (iv) the "country of risk" of the issuer's ultimate parent; or (v) the country where the issuer is organized or incorporated under the laws thereof. "Country of risk" is a separate four-part test determined by the following factors, listed in order of importance: (i) management location; (ii) country of primary listing; (iii) sales or revenue attributable to the country; and (iv) reporting currency of the issuer.

In addition, effective July 30, 2018, the first paragraph in the "Characteristics and Risks of Securities and Investment Techniques—Foreign (Non-U.S.) Securities" section of the non-Asset Allocation Standalone Prospectuses is deleted in its entirety and replaced with the following:

The Portfolio may invest in securities and instruments that are economically tied to foreign (non-U.S.) countries. PIMCO generally considers an instrument to be economically tied to a non-U.S. country if the issuer is a foreign (non-U.S.) government (or any political subdivision, agency, authority or instrumentality of such government), or if the issuer is organized under the laws of a non-U.S. country. The Portfolio's investments in foreign (non-U.S.) securities may include American Depositary Receipts ("ADRs"), European Depositary Receipts ("EDRs"), Global Depositary Receipts ("GDRs") and similar securities that represent interests in a non- U.S. company's securities that have been deposited with a bank or trust and that trade on a U.S. exchange or over-the-counter. ADRs, EDRs and GDRs may be less liquid or may trade at a different price than the underlying securities of the issuer. In the case of money market instruments other than commercial paper and certificates of deposit, such instruments will be considered economically tied to a non-U.S. country if the issuer of such money market instrument is organized under the laws of a non-U.S. country. In the case of commercial paper and certificates of deposit, such instruments will be considered economically tied to a non-U.S. country if the "country of exposure" of such instrument is a non-U.S. country, as determined by the criteria set forth below. With respect to derivative instruments, PIMCO generally considers such instruments to be economically tied to non-U.S. countries if the

underlying assets are foreign currencies (or baskets or indexes of such currencies), or instruments or securities that are issued by foreign governments or issuers organized under the laws of a non-U.S. country (or if the underlying assets are money market instruments other than commercial paper and certificates of deposit, the issuer of such money market instrument is organized under the laws of a non-U.S. country or, in the case of underlying assets that are commercial paper or certificates of deposit, if the "country of exposure" of such money market instrument is a non-U.S. country). A security's "country of exposure" is determined by PIMCO using certain factors provided by a third-party analytical service provider. The factors are applied in order such that the first factor to result in the assignment of a country determines the "country of exposure." Both the factors and the order in which they are applied may change in the discretion of PIMCO. The current factors, listed in the order in which they are applied, are: (i) if an asset-backed or other collateralized security, the country in which the collateral backing the security is located; (ii) the "country of risk" of the issuer; (iii) if the security is guaranteed by the government of a country (or any political subdivision, agency, authority or instrumentality of such government), the country of the government or instrumentality providing the guarantee; (iv) the "country of risk" of the issuer's ultimate parent; or (v) the country where the issuer is organized or incorporated under the laws thereof. "Country of risk" is a separate four-part test determined by the following factors, listed in order of importance: (i) management location; (ii) country of primary listing; (iii) sales or revenue attributable to the country; and (iv) reporting currency of the issuer.

In addition, effective July 30, 2018, the first paragraph in the "Characteristics and Risks of Securities and Investment Techniques—Foreign (Non-U.S.) Securities—Emerging Market Securities" section of the Cluster Prospectuses is deleted in its entirety and replaced with the following:

Each Portfolio that may invest in foreign (non-U.S.) securities may invest in securities and instruments that are economically tied to developing (or "emerging market") countries. Each Portfolio is subject to the limitation on investment in emerging market securities noted in the Portfolio's Portfolio Summary. PIMCO generally considers an instrument to be economically tied to an emerging market country if: the issuer is organized under the laws of an emerging market country; the currency of settlement of the security is a currency of an emerging market country; the security is guaranteed by the government of an emerging market country (or any political subdivision, agency, authority or instrumentality of such government); for an asset-backed or other collateralized security, the country in which the collateral backing the security is located is an emerging market country; or the security's "country of exposure" is an emerging market country, as determined by the criteria set forth below. With respect to derivative instruments, PIMCO generally considers such instruments to be economically tied to emerging market countries if the underlying assets are currencies of emerging market countries (or baskets or indexes of such currencies), or instruments or securities that are issued or guaranteed by governments of emerging market countries or by entities organized under the laws of emerging market countries or if an instrument's "country of exposure" is an emerging market country. A security's "country of exposure" is determined by PIMCO using certain factors provided by a third-party analytical service provider. The factors are applied in order such that the first factor to result in the assignment of a country determines the "country of exposure." Both the factors and the order in which they are applied may change in the discretion of PIMCO. The current factors, listed in the order in which they are applied, are: (i) if an asset-backed or other collateralized security, the country in which the collateral backing the security is located; (ii) the "country of risk" of the issuer; (iii) if the security is guaranteed by the government of a country (or any political subdivision, agency, authority or instrumentality of such government), the country of the government or instrumentality providing the guarantee; (iv) the "country of risk" of the issuer's ultimate parent; or (v) the country where the issuer is organized or incorporated under the laws thereof. "Country of risk" is a separate four-part test determined by the following factors, listed in order of importance: (i) management location; (ii) country of primary listing; (iii) sales or revenue attributable to the country; and (iv) reporting currency of the issuer. PIMCO has broad discretion to identify countries that it considers to qualify as emerging markets. In making investments in emerging market securities, the Portfolio emphasizes those countries with relatively low gross national product per capita and with the potential for rapid economic growth. Emerging market countries are generally located in Asia, Africa, the Middle East, Latin America and Eastern Europe. PIMCO will select the country and currency composition based on its evaluation of relative interest rates, inflation rates, exchange rates, monetary and fiscal policies, trade and current account balances, legal and political developments and any other specific factors it believes to be relevant.

In addition, effective July 30, 2018, the first paragraph in the "Characteristics and Risks of Securities and Investment Techniques—Foreign (Non-U.S.) Securities—Emerging Market Securities" section of the Asset Allocation Standalone Prospectuses is deleted in its entirety and replaced with the following:

Certain Underlying PIMCO Funds may invest in securities and instruments that are economically tied to developing (or "emerging market") countries. Each Portfolio is subject to the limitation on investment in emerging market securities noted in the Portfolio's Portfolio Summary. PIMCO generally considers an instrument to be economically tied to an emerging market country if: the issuer is organized under the laws of an emerging market country; the currency of settlement of the security is a currency of an emerging market country; the security is guaranteed by the government of an emerging market country (or any political subdivision, agency, authority or instrumentality of such government); for an asset-backed or other collateralized security, the country in which the collateral backing the security is located is an emerging market country; or the security's "country of exposure" is an emerging market country, as determined by the criteria set forth below. With respect to derivative instruments, PIMCO generally considers such instruments to be economically tied to emerging market countries if the underlying assets are currencies of emerging market countries (or baskets or indexes of such currencies), or instruments or securities that are issued or guaranteed by governments of emerging market countries or by entities organized under the laws of emerging market countries or if an instrument's "country of exposure" is an emerging market country. A security's "country of exposure" is determined by PIMCO using certain factors provided by a third-party analytical service provider. The factors are applied in order such that the first factor to result in the assignment of a country determines the "country of exposure." Both the factors and the order in which they are applied may change in the discretion of PIMCO. The current factors, listed in the order in which they are applied, are: (i) if an asset-backed or other collateralized security, the country in which the collateral backing the security is located; (ii) the "country of risk" of the issuer; (iii) if the security is guaranteed by the government of a country (or any political subdivision, agency, authority or instrumentality of such government), the country of the government or instrumentality providing the guarantee; (iv) the "country of risk" of the issuer's ultimate parent; or (v) the country where the issuer is organized or incorporated under the laws thereof. "Country of risk" is a separate four-part test determined by the following factors, listed in order of importance: (i) management location; (ii) country of primary listing; (iii) sales or revenue attributable to the country; and (iv) reporting currency of the issuer. PIMCO has broad discretion to identify countries that it considers to qualify as emerging markets. In making investments in emerging market securities, the Portfolio emphasizes those countries with relatively low gross national product per capita and with the potential for rapid economic growth. Emerging market countries are generally located in Asia, Africa, the Middle East, Latin America and Eastern Europe. PIMCO will select the country and currency composition based on its evaluation of relative interest rates, inflation rates, exchange rates, monetary and fiscal policies, trade and current account balances, legal and political developments and any other specific factors it believes to be relevant.

In addition, effective July 30, 2018, the first paragraph in the "Characteristics and Risks of Securities and Investment Techniques—Foreign (Non-U.S.) Securities—Emerging Market Securities" section of the non-Asset Allocation Standalone Prospectuses is deleted in its entirety and replaced with the following:

The Portfolio may invest in securities and instruments that are economically tied to developing (or "emerging market") countries. Each Portfolio is subject to the limitation on investment in emerging market securities noted in the Portfolio's Portfolio Summary. PIMCO generally considers an instrument to be economically tied to an emerging market country if: the issuer is organized under the laws of an emerging market country; the currency of settlement of the security is a currency of an emerging market country; the security is guaranteed by the government of an emerging market country (or any political subdivision, agency, authority or instrumentality of such government); for an asset-backed or other collateralized security, the country in which the collateral backing the security is located is an emerging market country; or the security's "country of exposure" is an emerging market country, as determined by the criteria set forth below. With respect to derivative instruments, PIMCO generally considers such instruments to be economically tied to emerging market countries if the underlying assets are currencies of emerging market countries (or baskets or indexes of such currencies), or instruments or securities that are issued or guaranteed by governments of emerging market countries or by entities organized under the laws of emerging market countries or if an instrument's "country of exposure" is an emerging market country. A security's "country of exposure" is determined by PIMCO using certain factors provided by a

third-party analytical service provider. The factors are applied in order such that the first factor to result in the assignment of a country determines the "country of exposure." Both the factors and the order in which they are applied may change in the discretion of PIMCO. The current factors, listed in the order in which they are applied, are: (i) if an asset-backed or other collateralized security, the country in which the collateral backing the security is located; (ii) the "country of risk" of the issuer; (iii) if the security is guaranteed by the government of a country (or any political subdivision, agency, authority or instrumentality of such government), the country of the government or instrumentality providing the guarantee; (iv) the "country of risk" of the issuer's ultimate parent; or (v) the country where the issuer is organized or incorporated under the laws thereof. "Country of risk" is a separate four-part test determined by the following factors, listed in order of importance: (i) management location; (ii) country of primary listing; (iii) sales or revenue attributable to the country; and (iv) reporting currency of the issuer. PIMCO has broad discretion to identify countries that it considers to qualify as emerging markets. In making investments in emerging market securities, the Portfolio emphasizes those countries with relatively low gross national product per capita and with the potential for rapid economic growth. Emerging market countries are generally located in Asia, Africa, the Middle East, Latin America and Eastern Europe. PIMCO will select the country and currency composition based on its evaluation of relative interest rates, inflation rates, exchange rates, monetary and fiscal policies, trade and current account balances, legal and political developments and any other specific factors it believes to be relevant.

In addition, effective July 30, 2018, the second paragraph in the "Investment Objectives and Policies—Foreign Securities" section of the SAI is deleted in its entirety and replaced with the following:

PIMCO generally considers an instrument to be economically tied to a non-U.S. country if the issuer is a foreign government (or any political subdivision, agency, authority or instrumentality of such government), or if the issuer is organized under the laws of a non-U.S. country. In the case of money market instruments other than commercial paper and certificates of deposit, such instruments will be considered economically tied to a non-U.S. country if the issuer of such money market instrument is organized under the laws of a non-U.S. country. In the case of commercial paper and certificates of deposit, such instruments will be considered economically tied to a non-U.S. country if the "country of exposure" of such instrument is a non-U.S. country, as determined by the criteria set forth below. With respect to derivative instruments, PIMCO generally considers such instruments to be economically tied to non-U.S. countries if the underlying assets are foreign currencies (or baskets or indexes of such currencies), or instruments or securities that are issued by foreign governments or issuers organized under the laws of a non-U.S. country (or if the underlying assets are money market instruments other than commercial paper and certificates of deposit, the issuer of such money market instrument is organized under the laws of a non-U.S. country or, in the case of underlying assets that are commercial paper or certificates of deposit, if the "country of exposure" of such money market instrument is a non-U.S. country). A security's "country of exposure" is determined by PIMCO using certain factors provided by a third-party analytical service provider. The factors are applied in order such that the first factor to result in the assignment of a country determines the "country of exposure." Both the factors and the order in which they are applied may change in the discretion of PIMCO. The current factors, listed in the order in which they are applied, are: (i) if an asset-backed or other collateralized security, the country in which the collateral backing the security is located; (ii) the "country of risk" of the issuer; (iii) if the security is guaranteed by the government of a country (or any political subdivision, agency, authority or instrumentality of such government), the country of the government or instrumentality providing the guarantee; (iv) the "country of risk" of the issuer's ultimate parent; or (v) the country where the issuer is organized or incorporated under the laws thereof. "Country of risk" is a separate four-part test determined by the following factors, listed in order of importance: (i) management location; (ii) country of primary listing; (iii) sales or revenue attributable to the country; and (iv) reporting currency of the issuer.

In addition, effective July 30, 2018, the fourth paragraph in the "Investment Objectives and Policies—Foreign Securities" section of the SAI is deleted in its entirety and replaced with the following.

PIMCO generally considers an instrument to be economically tied to an emerging market country if: the issuer is organized under the laws of an emerging market country; the currency of settlement of the security is a currency of an emerging market country; the security is guaranteed by the government of an emerging market country (or any political subdivision, agency, authority or instrumentality of such government); for an asset-backed or other

collateralized security, the country in which the collateral backing the security is located is an emerging market country; or the security's "country of exposure" is an emerging market country, as determined by the criteria set forth below. With respect to derivative instruments, PIMCO generally considers such instruments to be economically tied to emerging market countries if the underlying assets are currencies of emerging market countries (or baskets or indexes of such currencies), or instruments or securities that are issued or guaranteed by governments of emerging market countries or by entities organized under the laws of emerging market countries or if an instrument's "country of exposure" is an emerging market country. A security's "country of exposure" is determined by PIMCO using certain factors provided by a third-party analytical service provider. The factors are applied in order such that the first factor to result in the assignment of a country determines the "country of exposure." Both the factors and the order in which they are applied may change in the discretion of PIMCO. The current factors, listed in the order in which they are applied, are: (i) if an asset-backed or other collateralized security, the country in which the collateral backing the security is located; (ii) the "country of risk" of the issuer; (iii) if the security is guaranteed by the government of a country (or any political subdivision, agency, authority or instrumentality of such government), the country of the government or instrumentality providing the guarantee; (iv) the "country of risk" of the issuer's ultimate parent; or (v) the country where the issuer is organized or incorporated under the laws thereof. "Country of risk" is a separate four-part test determined by the following factors, listed in order of importance: (i) management location; (ii) country of primary listing; (iii) sales or revenue attributable to the country; and (iv) reporting currency of the issuer. PIMCO has broad discretion to identify countries that it considers to qualify as emerging markets. In exercising such discretion, PIMCO identifies countries as emerging markets consistent with the strategic objectives of the particular Portfolio. For example, a Portfolio may consider a country to be an emerging market country based on a number of factors including, but not limited to, if the country is classified as an emerging or developing economy by any supranational organization such as the World Bank or the United Nations, or related entities, or if the country is considered an emerging market country for purposes of constructing emerging markets indices. In some cases, this approach may result in PIMCO identifying a particular country as an emerging market with respect to certain Portfolios but not others.

Investors Should Retain This Supplement For Future Reference

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This supplement is not part of the Annual Report and is not authorized for distribution to prospective investors unless preceded or accompanied by a current prospectus.

PIMCO

PIMCO VARIABLE INSURANCE TRUST

Annual Report

December 31, 2018

PIMCO Total Return Portfolio

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, you may not be receiving paper copies of the Portfolio's shareholder reports from the insurance company that offers your contract unless you specifically request paper copies from the insurance company or from your financial intermediary. Instead, the shareholder reports will be made available on a website, and the insurance company will notify you by mail each time a report is posted and provide you with a website link to access the report. Instructions for requesting paper copies will be provided by your insurance company.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the insurance company electronically by following the instructions provided by the insurance company.

You may elect to receive all future reports in paper free of charge from the insurance company. You should contact the insurance company if you wish to continue receiving paper copies of your shareholder reports. Your election to receive reports in paper will apply to all portfolio companies available under your contract at the insurance company.

Table of Contents

	Page
Chairman's Letter	2
Important Information About the PIMCO Total Return Portfolio	4
Portfolio Summary	6
Expense Example	7
Financial Highlights	8
Statement of Assets and Liabilities	10
Statement of Operations	11
Statements of Changes in Net Assets	12
Schedule of Investments	13
Notes to Financial Statements	29
Report of Independent Registered Public Accounting Firm	48
Glossary	49
Federal Income Tax Information	50
Management of the Trust	51
Privacy Policy	53
Approval of Investment Advisory Contract and Other Agreements	54

Dear PIMCO Variable Insurance Trust Shareholder,

Following this letter is the PIMCO Variable Insurance Trust Annual Report, which covers the 12-month reporting period ended December 31, 2018. On the subsequent pages you will find specific details regarding investment results and discussion of the factors that most affected performance during the reporting period.

For the 12-month reporting period ended December 31, 2018

The U.S. economy continued to expand during the reporting period. Looking back, U.S. gross domestic product ("GDP") grew at an annual pace of 2.2% during the first quarter of 2018. During the second quarter of 2018, GDP growth rose to an annual pace of 4.2%, the strongest since the third quarter of 2014. GDP then expanded at an annual pace of 3.4% during the third quarter of the year. Finally, the Commerce Department's initial reading for fourth-quarter 2018 GDP has been delayed due to the partial government shutdown.

The Federal Reserve (the "Fed") continued to normalize monetary policy during the reporting period. During its meetings that concluded in March, June, September and December 2018, the Fed raised the federal funds rate in 0.25% increments. The Fed's December rate hike pushed the federal funds rate to a range between 2.25% and 2.50%. In addition, the Fed continued to reduce its balance sheet during the reporting period.

Economic activity outside the U.S. initially accelerated during the reporting period, but moderated as it progressed. Against this backdrop, the European Central Bank (the "ECB") and the Bank of Japan largely maintained their highly accommodative monetary policies, while other central banks took a more hawkish stance. The Bank of England raised rates at its meeting in August 2018 and the Bank of Canada raised rates twice during the reporting period. Meanwhile, the ECB ended its quantitative easing program in December 2018, but indicated that it does not expect to raise interest rates "at least through the summer of 2019."

The U.S. Treasury yield curve flattened during the reporting period as short-term rates moved up more than longer-term rates. In our view, the increase in rates at the short end of the yield curve was mostly due to Fed interest rate increases. The yield on the benchmark 10-year U.S. Treasury note was 2.69% at the end of the reporting period, up from 2.40% on December 31, 2017. U.S. Treasuries, as measured by the Bloomberg Barclays U.S. Treasury Index, returned 0.86% over the 12 months ended December 31, 2018. Meanwhile, the Bloomberg Barclays U.S. Aggregate Bond Index, a widely used index of U.S. investment grade bonds, returned 0.01% over the period. Riskier fixed income asset classes, including high yield corporate bonds and emerging market debt, generated weak results versus the broad U.S. market. The ICE BofAML U.S. High Yield Index returned -2.27% over the reporting period, whereas emerging market external debt, as represented by the JPMorgan Emerging Markets Bond Index (EMBI) Global, returned -4.61% over the reporting period. Emerging market local bonds, as represented by the JPMorgan Government Bond Index-Emerging Markets Global Diversified Index (Unhedged), returned -6.21% over the period.

Global equities produced poor results during the reporting period. U.S. equities moved sharply higher over the first nine months of the period. We believe this rally was driven by a number of factors, including corporate profits that often exceeded expectations. However, U.S. equities fell sharply during the fourth quarter of 2018. We believe this was triggered by a number of factors, including signs of moderating global growth, concerns over future Fed rate hikes, the ongoing trade dispute between the U.S. and China and the partial U.S. government shutdown. All told, U.S. equities, as represented by the S&P 500 Index, returned -4.38% during the reporting period. Elsewhere, emerging market equities, as measured by the MSCI Emerging Markets Index, returned -14.58% during the reporting period, whereas global equities, as represented by the MSCI World Index, returned -8.71%. Elsewhere, Japanese equities, as represented by the Nikkei 225 Index (in JPY), returned -10.39% during the reporting period and European equities, as represented by the MSCI Europe Index (in EUR), returned -10.57%.

Commodity prices fluctuated and generally declined during the reporting period. When the reporting period began, West Texas crude oil was approximately $65 a barrel, but by the end it was roughly $45 a barrel. This was driven in

part by increased supply and declining global demand. Elsewhere, gold and copper prices also moved lower during the reporting period.

Finally, during the reporting period the foreign exchange markets experienced periods of volatility, due in part to signs of decoupling economic growth and central bank policies, along with a number of geopolitical events. The U.S. dollar produced mixed results against other major currencies during the reporting period. For example, the U.S. dollar appreciated 4.71% and 5.90% versus the euro and the British pound, respectively, whereas the U.S. dollar depreciated 2.66% versus the yen during the reporting period.

Thank you for the assets you have placed with us. We deeply value your trust, and we will continue to work diligently to meet your broad investment needs.

Sincerely,

Brent R. Harris

Brent R. Harris
Chairman of the Board,
PIMCO Variable Insurance Trust

Past performance is no guarantee of future results. Unless otherwise noted, index returns reflect the reinvestment of income distributions and capital gains, if any, but do not reflect fees, brokerage commissions or other expenses of investing. It is not possible to invest directly in an unmanaged index.

Important Information About the PIMCO Total Return Portfolio

PIMCO Variable Insurance Trust (the "Trust") is an open-end management investment company that includes the PIMCO Total Return Portfolio (the "Portfolio"). The Portfolio is only available as a funding vehicle under variable life insurance policies or variable annuity contracts issued by insurance companies ("Variable Contracts"). Individuals may not purchase shares of the Portfolio directly. Shares of the Portfolio also may be sold to qualified pension and retirement plans outside of the separate account context.

We believe that bond funds have an important role to play in a well-diversified investment portfolio. It is important to note, however, that in an environment where interest rates may trend upward, rising rates would negatively impact the performance of most bond funds, and fixed income securities and other instruments held by the Portfolio are likely to decrease in value. A wide variety of factors can cause interest rates to rise (e.g., central bank monetary policies, inflation rates, general economic conditions, etc.). In addition, changes in interest rates can be sudden and unpredictable, and there is no guarantee that management will anticipate such movement accurately. The Portfolio may lose money as a result of movements in interest rates.

As of the date of this report, interest rates in the U.S. and many parts of the world, including certain European countries, are at or near historically low levels. Thus, the Portfolio currently faces a heightened level of interest rate risk, especially since the Fed has ended its quantitative easing program and has begun, and may continue, to raise interest rates. To the extent the Fed continues to raise interest rates, there is a risk that rates across the financial system may rise. Further, while bond markets have steadily grown over the past three decades, dealer inventories of corporate bonds are near historic lows in relation to market size. As a result, there has been a significant reduction in the ability of dealers to "make markets."

Bond funds and individual bonds with a longer duration (a measure used to determine the sensitivity of a security's price to changes in interest rates) tend to be more sensitive to changes in interest rates, usually making them more volatile than securities or funds with shorter durations. All of the factors mentioned above, individually or collectively, could lead to increased volatility and/or lower liquidity in the fixed income markets or negatively impact the Portfolio's performance or cause the Portfolio to incur losses. As a result, the Portfolio may experience increased shareholder redemptions, which, among other things, could further reduce the net assets of the Portfolio.

The Portfolio may be subject to various risks as described in the Portfolio's prospectus and in the Principal Risks in the Notes to Financial Statements.

The geographical classification of foreign (non-U.S.) securities in this report are classified by the country of incorporation of a holding. In certain instances, a security's country of incorporation may be different from its country of economic exposure.

The United States presidential administration's enforcement of tariffs on goods from other countries, with a focus on China, has contributed to international trade tensions and may impact portfolio securities.

The United Kingdom's decision to leave the European Union may impact Portfolio returns. This decision may cause substantial volatility in foreign exchange markets, lead to weakness in the exchange rate of the British pound, result in a sustained period of market uncertainty, and destabilize some or all of the other European Union member countries and/or the Eurozone.

On the Portfolio Summary page in this Shareholder Report, the Average Annual Total Return table and Cumulative Returns chart measure performance assuming that any dividend and capital gain distributions were reinvested. The Cumulative Returns chart reflects only Administrative Class performance. Performance may vary by share class based on each class's expense ratios. The Portfolio measures its performance against at least one broad-based securities market index ("benchmark index"). The benchmark index does not take into account fees, expenses, or taxes. The Portfolio's past performance, before and after taxes, is not necessarily an indication of how the Portfolio will perform in the future. There is no assurance that the Portfolio, even if the Portfolio has experienced high or unusual performance for one or more periods, will experience similar levels of performance in the future. High performance is defined as a significant increase in either 1) the Portfolio's total return in excess of that of the Portfolio's benchmark between reporting periods or 2) the Portfolio's total return in excess of the Portfolio's historical returns between reporting periods. Unusual performance is defined as a significant change in the Portfolio's performance as compared to one or more previous reporting periods.

The following table discloses the inception dates of the Portfolio and its respective share classes along with the Portfolio's diversification status as of period end:

Portfolio Name	Portfolio Inception	Institutional Class	Administrative Class	Advisor Class	Diversification Status
PIMCO Total Return Portfolio	12/31/97	04/10/00	12/31/97	02/28/06	Diversified

An investment in the Portfolio is not a bank deposit and is not guaranteed or insured by the Federal Deposit Insurance Corporation ("FDIC") or any other government agency. It is possible to lose money on investments in the Portfolio.

The Trustees are responsible generally for overseeing the management of the Trust. The Trustees authorize the Trust to enter into service agreements with the Adviser, the Distributor, the Administrator and other service providers in order to provide, and in some cases authorize service providers to procure through other parties, necessary or desirable services on behalf of the Trust and the Portfolio. Shareholders are not parties to or third-party beneficiaries of such service agreements. Neither this Portfolio's prospectus nor summary prospectus, the Trust's Statement of Additional Information ("SAI"), any contracts filed as exhibits to the Trust's registration statement, nor any other communications, disclosure documents or regulatory filings (including this report) from or on behalf of the Trust or the Portfolio creates a contract between or among any shareholder of the Portfolio, on the one hand, and the Trust, the Portfolio, a service provider to the Trust or the Portfolio, and/or the Trustees or officers of the Trust, on the other hand. The Trustees (or the Trust and its officers, service providers or other delegates acting under authority of the Trustees) may amend the most recent prospectus or use a new prospectus, summary prospectus or SAI with respect to the Portfolio or the Trust, and/or amend, file and/or issue any other communications, disclosure documents or regulatory filings, and may amend or enter into any contracts to which the Trust or the Portfolio is a party, and interpret the investment objective(s), policies, restrictions and contractual provisions applicable to the Portfolio, without shareholder input or approval, except in circumstances in which shareholder approval is specifically required by law (such as changes to fundamental investment policies) or where a shareholder approval requirement is specifically disclosed in the Trust's then-current prospectus or SAI.

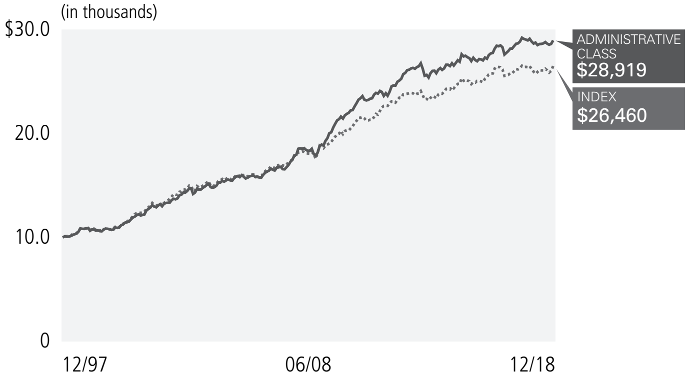
PIMCO has adopted written proxy voting policies and procedures ("Proxy Policy") as required by Rule 206(4)-6 under the Investment Advisers Act of 1940, as amended. The Proxy Policy has been adopted by the Trust as the policies and procedures that PIMCO will use when voting proxies on behalf of the Portfolio. A description of the policies and procedures that PIMCO uses to vote proxies relating to portfolio securities of the Portfolio, and information about how the Portfolio voted proxies relating to portfolio securities held during the most recent twelve-month period ended June 30, are available without charge, upon request, by calling the Trust at (888) 87-PIMCO, on the Portfolio's website at www.pimco.com/pvit, and on the Securities and Exchange Commission's ("SEC") website at www.sec.gov.

The Trust files a complete schedule of the Portfolio's holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. A copy of the Portfolio's Form N-Q is available on the SEC's website at www.sec.gov. A copy of the Portfolio's Form N-Q is also available without charge, upon request, by calling the Trust at (888) 87-PIMCO and on the Portfolio's website at www.pimco.com/pvit.

The SEC adopted a rule that, beginning in 2021, generally will allow shareholder reports to be delivered to investors by providing access to such reports online free of charge and by mailing a notice that the report is electronically available. Pursuant to the rule, investors may still elect to receive a complete shareholder report in the mail. Instructions for electing to receive paper copies of the Portfolio's shareholder reports going forward may be found on the front cover of this report.

The SEC adopted amendments to certain disclosure requirements relating to open-end investment companies' liquidity risk management programs. Effective December 1, 2019, large fund complexes will be required to include in their shareholder reports a discussion of their liquidity risk management programs' operations over the past year.

Cumulative Returns Through December 31, 2018



$10,000 invested at the end of the month when the Portfolio's Administrative Class commenced operations.

Allocation Breakdown as of 12/31/2018†§

U.S. Government Agencies	44.0%
Corporate Bonds & Notes	31.5%
Asset-Backed Securities	9.4%
Short-Term Instruments‡	6.4%
Non-Agency Mortgage-Backed Securities	4.7%
Sovereign Issues	2.0%
U.S. Treasury Obligations	1.3%
Others	0.7%

† % of Investments, at value.

§ Allocation Breakdown and % of investments exclude securities sold short and financial derivative instruments, if any.

‡ Includes Central Funds Used for Cash Management Purposes.

Average Annual Total Return for the period ended December 31, 2018

		1 Year	5 Years	10 Years	Inception≈
	PIMCO Total Return Portfolio Institutional Class	(0.38)%	2.49%	4.57%	5.43%
—	PIMCO Total Return Portfolio Administrative Class	(0.53)%	2.33%	4.41%	5.19%
	PIMCO Total Return Portfolio Advisor Class	(0.63)%	2.23%	4.31%	4.63%
·····	Bloomberg Barclays U.S. Aggregate Index±	0.01%	2.52%	3.48%	4.74%⬩

All Portfolio returns are net of fees and expenses.

≈ For class inception dates please refer to the Important Information.

⬩ Average annual total return since 12/31/1997.

± Bloomberg Barclays U.S. Aggregate Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers 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. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

It is not possible to invest directly in an unmanaged index.

Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Current performance may be lower or higher than performance shown. Investment return and the principal value of an investment will fluctuate. Shares may be worth more or less than original cost when redeemed. The Portfolio's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in Variable Contracts, which will reduce returns. Differences in the Portfolio's performance versus the index and related attribution information with respect to particular categories of securities or individual positions may be attributable, in part, to differences in the prices of individual positions (which may be sourced from different pricing vendors or other sources) used by the Portfolio and the index. For performance current to the most recent month-end, visit www.pimco.com/pvit or via (888) 87-PIMCO.

The Portfolios total annual operating expense ratio in effect as of period end were 0.54% for Institutional Class shares, 0.69% for Administrative Class shares, and 0.79% for Advisor Class shares. Details regarding any changes to the Portfolio's operating expenses, subsequent to period end, can be found in the Portfolio's current prospectus, as supplemented.

Investment Objective and Strategy Overview

PIMCO Total Return Portfolio seeks maximum total return, consistent with preservation of capital and prudent investment management, by investing under normal circumstances at least 65% of its total assets in a diversified portfolio of Fixed Income Instruments of varying maturities, which may be represented by forwards or derivatives such as options, futures contracts, or swap agreements. "Fixed Income Instruments" include bonds, debt securities and other similar instruments issued by various U.S. and non-U.S. public- or private-sector entities. Portfolio strategies may change from time to time. Please refer to the Portfolio's current prospectus for more information regarding the Portfolio's strategy.

Portfolio Insights

The following affected performance during the reporting period:

» U.S. interest rate strategies, particularly a combination of yield advantage and underweight exposure to the long end of the yield curve, contributed to relative performance, as rates rose.

» Positions in non-agency mortgage-backed securities ("MBS") contributed to relative performance, as total returns in these securities were positive.

» Long duration exposure in Brazil, particularly in the beginning and middle of the period as exposure increased, contributed to relative performance, due to a combination of yield advantage and falling or declining rates.

» Short exposure to duration in Japan detracted from relative performance, as rates fell.

» Positions in agency MBS detracted from performance, as excess returns in these securities were negative.

» Short exposure to the Japanese yen, particularly in the beginning of the reporting period and in the last month of the reporting period, detracted from performance, as the currency appreciated relative to the U.S. dollar.

Expense Example PIMCO Total Return Portfolio

Example

As a shareholder of the Portfolio, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management fees, distribution and/or service (12b-1) fees (if applicable), and other Portfolio expenses. The Example is intended to help you understand your ongoing costs (in dollars) of investing in the Portfolio and to compare these costs with the ongoing costs of investing in other mutual funds.

The Expense Example does not reflect any fees or other expenses imposed by the Variable Contracts. If it did, the expenses reflected in the Expense Example would be higher. The Example is based on an investment of $1,000 invested at the beginning of the period and held from July 1, 2018 to December 31, 2018 unless noted otherwise in the table and footnotes below.

Actual Expenses

The information in the table under the heading "Actual" provides information about actual account values and actual expenses. You may use this information, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.60), then multiply the result by the number in the appropriate row for your share class, in the column titled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

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

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs. Therefore, the information under the heading "Hypothetical (5% return before expenses)" is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different portfolios. In addition, if these transactional costs were included, your costs would have been higher.

Expense ratios may vary period to period because of various factors, such as an increase in expenses that are not covered by the management fees such as fees and expenses of the independent trustees and their counsel, extraordinary expenses and interest expense.

	Actual			Hypothetical (5% return before expenses)			
	Beginning Account Value (07/01/18)	Ending Account Value (12/31/18)	Expenses Paid During Period*	Beginning Account Value (07/01/18)	Ending Account Value (12/31/18)	Expenses Paid During Period*	Net Annualized Expense Ratio**
Institutional Class	$ 1,000.00	$ 1,012.80	$ 4.01	$ 1,000.00	$ 1,021.22	$ 4.02	0.79%
Administrative Class	1,000.00	1,012.00	4.77	1,000.00	1,020.47	4.79	0.94
Advisor Class	1,000.00	1,011.50	5.27	1,000.00	1,019.96	5.30	1.04

* Expenses Paid During Period are equal to the net annualized expense ratio for the class, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period). Overall fees and expenses of investing in the Portfolio will be higher because the example does not reflect variable contract fees and expenses.

** Net Annualized Expense Ratio is reflective of any applicable contractual fee waivers and/or expense reimbursements or voluntary fee waivers. Details regarding fee waivers, if any, can be found in Note 9, Fees and Expenses, in the Notes to Financial Statements.

Financial Highlights PIMCO Total Return Portfolio

Selected Per Share Data for the Year Ended^:	Net Asset Value Beginning of Year	Investment Operations: Net Investment Income (Loss)[a]	Investment Operations: Net Realized/ Unrealized Gain (Loss)	Investment Operations: Total	Less Distributions[b]: From Net Investment Income	Less Distributions[b]: From Net Realized Capital Gain	Less Distributions[b]: Total	Net Asset Value End of Year
Institutional Class								
12/31/2018	$ 10.94	$ 0.30	$ (0.34)	$ (0.04)	$ (0.29)	$ (0.13)	$ (0.42)	$ 10.48
12/31/2017	10.64	0.26	0.28	0.54	(0.24)	0.00	(0.24)	10.94
12/31/2016	10.58	0.29	0.01	0.30	(0.24)	0.00	(0.24)	10.64
12/31/2015	11.20	0.30	(0.23)	0.07	(0.57)	(0.12)	(0.69)	10.58
12/31/2014	10.98	0.19	0.29	0.48	(0.26)	0.00	(0.26)	11.20
Administrative Class								
12/31/2018	10.94	0.28	(0.34)	(0.06)	(0.27)	(0.13)	(0.40)	10.48
12/31/2017	10.64	0.25	0.27	0.52	(0.22)	0.00	(0.22)	10.94
12/31/2016	10.58	0.28	0.00	0.28	(0.22)	0.00	(0.22)	10.64
12/31/2015	11.20	0.30	(0.25)	0.05	(0.55)	(0.12)	(0.67)	10.58
12/31/2014	10.98	0.18	0.29	0.47	(0.25)	0.00	(0.25)	11.20
Advisor Class								
12/31/2018	10.94	0.27	(0.34)	(0.07)	(0.26)	(0.13)	(0.39)	10.48
12/31/2017	10.64	0.24	0.27	0.51	(0.21)	0.00	(0.21)	10.94
12/31/2016	10.58	0.26	0.01	0.27	(0.21)	0.00	(0.21)	10.64
12/31/2015	11.20	0.29	(0.25)	0.04	(0.54)	(0.12)	(0.66)	10.58
12/31/2014	10.98	0.17	0.29	0.46	(0.24)	0.00	(0.24)	11.20

^ A zero balance may reflect actual amounts rounding to less than $0.01 or 0.01%.

[a] Per share amounts based on average number of shares outstanding during the year.

[b] The tax characterization of distributions is determined in accordance with Federal income tax regulations. See Note 2, Distributions to Shareholders, in the Notes to Financial Statements for more information.

See Accompanying Notes

	Ratios/Supplemental Data						
		Ratios to Average Net Assets					
Total Return	Net Assets End of Year (000s)	Expenses	Expenses Excluding Waivers	Expenses Excluding Interest Expense	Expenses Excluding Interest Expense and Waivers	Net Investment Income (Loss)	Portfolio Turnover Rate
(0.38)%	$ 83,675	0.76%	0.76%	0.50%	0.50%	2.78%	631%
5.07	83,041	0.54	0.54	0.50	0.50	2.43	574
2.83	92,502	0.51	0.51	0.50	0.50	2.71	512
0.60	80,007	0.51	0.51	0.50	0.50	2.65	462
4.43	214,717	0.50	0.50	0.50	0.50	1.73	313
(0.53)	3,961,602	0.91	0.91	0.65	0.65	2.62	631
4.91	4,456,274	0.69	0.69	0.65	0.65	2.28	574
2.68	4,728,701	0.66	0.66	0.65	0.65	2.56	512
0.45	5,059,606	0.66	0.66	0.65	0.65	2.68	462
4.28	6,244,893	0.65	0.65	0.65	0.65	1.59	313
(0.63)	2,420,067	1.01	1.01	0.75	0.75	2.51	631
4.81	2,955,716	0.79	0.79	0.75	0.75	2.19	574
2.57	2,693,074	0.76	0.76	0.75	0.75	2.46	512
0.35	2,607,844	0.76	0.76	0.75	0.75	2.62	462
4.17	2,439,681	0.75	0.75	0.75	0.75	1.51	313

Statement of Assets and Liabilities PIMCO Total Return Portfolio

(Amounts in thousands†, except per share amounts)	December 31, 2018
Assets:	
Investments, at value	
Investments in securities*	$ 9,138,631
Investments in Affiliates	515,092
Financial Derivative Instruments	
Exchange-traded or centrally cleared	10,134
Over the counter	59,978
Cash	249
Deposits with counterparty	78,751
Foreign currency, at value	13,695
Receivable for investments sold	1,965
Receivable for TBA investments sold	2,771,337
Receivable for Portfolio shares sold	3,512
Interest and/or dividends receivable	34,851
Dividends receivable from Affiliates	1,068
Total Assets	12,629,263
Liabilities:	
Borrowings & Other Financing Transactions	
Payable for reverse repurchase agreements	$ 36,912
Payable for sale-buyback transactions	10,768
Payable for short sales	160,732
Financial Derivative Instruments	
Exchange-traded or centrally cleared	6,557
Over the counter	52,345
Payable for investments purchased	73,608
Payable for investments in Affiliates purchased	1,068
Payable for TBA investments purchased	5,720,070
Deposits from counterparty	77,658
Payable for Portfolio shares redeemed	20,473
Accrued investment advisory fees	1,330
Accrued supervisory and administrative fees	1,330
Accrued distribution fees	495
Accrued servicing fees	491
Other liabilities	82
Total Liabilities	6,163,919
Net Assets	$ 6,465,344
Net Assets Consist of:	
Paid in capital	$ 6,585,352
Distributable earnings (accumulated loss)	(120,008)
Net Assets	$ 6,465,344
Net Assets:	
Institutional Class	$ 83,675
Administrative Class	3,961,602
Advisor Class	2,420,067
Shares Issued and Outstanding:	
Institutional Class	7,985
Administrative Class	378,074
Advisor Class	230,958
Net Asset Value Per Share Outstanding:	
Institutional Class	$ 10.48
Administrative Class	10.48
Advisor Class	10.48
Cost of investments in securities	$ 9,128,437
Cost of investments in Affiliates	$ 518,383
Cost of foreign currency held	$ 14,076
Proceeds received on short sales	$ 158,608
Cost or premiums of financial derivative instruments, net	$ (10,803)
* Includes repurchase agreements of:	$ 17,110

† A zero balance may reflect actual amounts rounding to less than one thousand.

 See Accompanying Notes

Statement of Operations PIMCO Total Return Portfolio

(Amounts in thousands†)	Year Ended December 31, 2018
Investment Income:	
Interest, net of foreign taxes*	$ 232,776
Dividends from Investments in Affiliates	14,478
Total Income	247,254
Expenses:	
Investment advisory fees	17,498
Supervisory and administrative fees	17,498
Servicing fees - Administrative Class	6,297
Distribution and/or servicing fees - Advisor Class	6,801
Trustee fees	204
Interest expense	18,302
Miscellaneous expense	45
Total Expenses	66,645
Net Investment Income (Loss)	180,609
Net Realized Gain (Loss):	
Investments in securities	(120,988)
Investments in Affiliates	176
Net capital gain distributions received from Affiliate investments	430
Exchange-traded or centrally cleared financial derivative instruments	11,670
Over the counter financial derivative instruments	(19,923)
Short sales	(260)
Foreign currency	(6,355)
Net Realized Gain (Loss)	(135,250)
Net Change in Unrealized Appreciation (Depreciation):	
Investments in securities	(200,935)
Investments in Affiliates	(3,311)
Exchange-traded or centrally cleared financial derivative instruments	(8,151)
Over the counter financial derivative instruments	113,573
Short sales	(86)
Foreign currency assets and liabilities	(864)
Net Change in Unrealized Appreciation (Depreciation)	(99,774)
Net Increase (Decrease) in Net Assets Resulting from Operations	$ (54,415)
* Foreign tax withholdings	$ 73

† A zero balance may reflect actual amounts rounding to less than one thousand.

Statements of Changes in Net Assets PIMCO Total Return Portfolio

(Amounts in thousands†)	Year Ended December 31, 2018	Year Ended December 31, 2017
Increase (Decrease) in Net Assets from:		
Operations:		
Net investment income (loss)	$ 180,609	$ 167,626
Net realized gain (loss)	(135,250)	98,759
Net change in unrealized appreciation (depreciation)	(99,774)	85,254
Net Increase (Decrease) in Net Assets Resulting from Operations	(54,415)	351,639
Distributions to Shareholders:		
From net investment income and/or net realized capital gains*		
Institutional Class	(3,171)	(1,947)
Administrative Class	(154,859)	(91,412)
Advisor Class	(95,177)	(55,074)
Total Distributions[(a)]	(253,207)	(148,433)
Portfolio Share Transactions:		
Net increase (decrease) resulting from Portfolio share transactions**	(722,065)	(222,452)
Total Increase (Decrease) in Net Assets	(1,029,687)	(19,246)
Net Assets:		
Beginning of year	7,495,031	7,514,277
End of year	$ 6,465,344	$ 7,495,031

† A zero balance may reflect actual amounts rounding to less than one thousand.
* See Note 2, New Accounting Pronouncements, in the Notes to Financial Statements for more information.
** See Note 14, Shares of Beneficial Interest, in the Notes to Financial Statements.
(a) The tax characterization of distributions is determined in accordance with Federal income tax regulations. See Note 2, Distributions to Shareholders, in the Notes to Financial Statements for more information.

(Amounts in thousands*, except number of shares, contracts and units, if any)

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
INVESTMENTS IN SECURITIES 141.3%		
LOAN PARTICIPATIONS AND ASSIGNMENTS 0.9%		
Avolon Holdings Ltd.		
4.470% (LIBOR03M + 2.000%) due 01/15/2025 ~	$ 12,792	$ 12,348
Qatar National Bank SAQ		
3.516% due 12/22/2020	9,700	9,619
State Of Qatar		
3.603% (LIBOR03M + 0.800%) due 12/21/2020 «~	16,000	15,920
Swissport Financing SARL		
4.750% (EUR003M + 4.750%) due 02/08/2022 ~	EUR 715	821
Toyota Motor Credit Corp.		
3.393% (LIBOR03M + 0.580%) due 09/28/2020 «~	$ 17,500	17,460
Total Loan Participations and Assignments (Cost $56,533)		**56,168**
CORPORATE BONDS & NOTES 47.0%		
BANKING & FINANCE 30.4%		
ABN AMRO Bank NV		
2.450% due 06/04/2020	3,600	3,558
AerCap Ireland Capital DAC		
3.500% due 05/26/2022	4,738	4,597
3.500% due 01/15/2025	700	640
3.950% due 02/01/2022	2,350	2,309
AIG Global Funding		
3.350% due 06/25/2021	3,800	3,786
Alexandria Real Estate Equities, Inc.		
4.300% due 01/15/2026	7,200	7,213
4.500% due 07/30/2029	4,500	4,508
Ally Financial, Inc.		
4.125% due 03/30/2020	1,300	1,290
Ambac LSNI LLC		
7.803% due 02/12/2023 •	1,531	1,539
American Express Co.		
3.375% due 05/17/2021	6,700	6,714
American Honda Finance Corp.		
2.932% (US0003M + 0.350%) due 11/05/2021 ~	5,460	5,383
Australia & New Zealand Banking Group Ltd.		
3.100% (US0003M + 0.460%) due 05/17/2021 ~	16,500	16,461
3.300% due 05/17/2021	16,800	16,788
Aviation Capital Group LLC		
3.875% due 05/01/2023	19,200	18,828
4.125% due 08/01/2025	16,700	16,236
Banco Bilbao Vizcaya Argentaria S.A.		
8.875% due 04/14/2021 •(g)(h)	EUR 2,000	2,489
Banco Espirito Santo S.A.		
4.000% due 01/21/2019 ^(c)	7,700	2,558
Bank of America Corp.		
3.419% due 12/20/2028 •	$ 4,669	4,369
3.447% (US0003M + 0.650%) due 10/01/2021 ~	14,500	14,399
3.487% (US0003M + 1.000%) due 04/24/2023 ~	21,500	21,281
3.541% (US0003M + 0.790%) due 03/05/2024 ~	17,900	17,404
3.550% due 03/05/2024 •	12,900	12,751
4.000% due 04/01/2024	5,205	5,237
4.125% due 01/22/2024	4,900	4,970
Bank of Nova Scotia		
1.875% due 04/26/2021	20,500	20,022
Banque Federative du Credit Mutuel S.A.		
3.429% (US0003M + 0.960%) due 07/20/2023 ~	13,400	13,238
Barclays Bank PLC		
5.125% due 01/08/2020	3,500	3,555
7.625% due 11/21/2022 (h)	800	831
10.179% due 06/12/2021	5,700	6,411
Barclays PLC		
3.200% due 08/10/2021 (k)	19,100	18,566
4.039% (US0003M + 1.625%) due 01/10/2023 ~	21,700	21,175

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
4.728% (US0003M + 2.110%) due 08/10/2021 ~	$ 33,800	$ 34,092
7.000% due 09/15/2019 •(g)(h)	GBP 500	625
8.000% due 12/15/2020 •(g)(h)	EUR 400	487
BBVA Bancomer S.A.		
6.500% due 03/10/2021	$ 6,100	6,344
7.250% due 04/22/2020	6,100	6,332
Blackstone CQP Holdco LP		
6.500% due 03/20/2021	33,500	33,753
BNP Paribas S.A.		
3.500% due 03/01/2023	18,000	17,467
Boston Properties LP		
4.500% due 12/01/2028	13,000	13,326
Brixmor Operating Partnership LP		
3.591% (US0003M + 1.050%) due 02/01/2022 ~	4,400	4,385
Cantor Fitzgerald LP		
6.500% due 06/17/2022	8,200	8,701
Capital One Financial Corp.		
2.400% due 10/30/2020	17,700	17,333
2.970% (US0003M + 0.450%) due 10/30/2020 ~	17,900	17,777
3.450% due 04/30/2021	4,800	4,793
CIT Group, Inc.		
6.125% due 03/09/2028	2,100	2,095
Citigroup, Inc.		
2.700% due 10/27/2022	18,600	17,945
2.750% due 04/25/2022	10,500	10,188
2.876% due 07/24/2023 •	2,000	1,936
3.204% (US0003M + 0.790%) due 01/10/2020 ~	21,700	21,732
3.761% (US0003M + 1.023%) due 06/01/2024 ~	16,500	16,174
4.168% (US0003M + 1.430%) due 09/01/2023 ~	1,000	1,001
Cooperatieve Rabobank UA		
5.500% due 06/29/2020 •(g)(h)	EUR 600	706
6.875% due 03/19/2020 (h)	7,900	9,788
Credit Suisse AG		
6.500% due 08/08/2023 (h)	$ 3,800	3,973
Credit Suisse Group Funding Guernsey Ltd.		
3.450% due 04/16/2021	11,000	10,966
3.800% due 09/15/2022	14,400	14,306
3.800% due 06/09/2023	8,000	7,858
4.735% (US0003M + 2.290%) due 04/16/2021 ~	22,800	23,454
Deutsche Bank AG		
2.500% due 02/13/2019	3,400	3,394
2.850% due 05/10/2019	34,200	33,998
3.300% due 11/16/2022	13,800	12,800
3.406% (US0003M + 0.970%) due 07/13/2020 ~	9,100	8,863
3.950% due 02/27/2023	12,500	11,812
4.250% due 10/14/2021	11,700	11,447
4.528% (US0003M + 1.910%) due 05/10/2019 ~	8,400	8,373
Dexia Credit Local S.A.		
2.375% due 09/20/2022	32,600	32,014
European Investment Bank		
0.500% due 08/10/2023	AUD 2,600	1,657
Ford Motor Credit Co. LLC		
0.054% due 12/01/2021 •	EUR 4,995	5,346
0.114% due 05/14/2021 •	600	658
2.343% due 11/02/2020	$ 2,169	2,087
2.943% due 01/08/2019	13,200	13,200
3.305% (US0003M + 0.880%) due 10/12/2021 ~	8,750	8,400
3.606% (US0003M + 0.830%) due 03/12/2019 ~	7,200	7,195
3.754% (US0003M + 0.930%) due 09/24/2020 ~	16,500	16,209
3.851% (US0003M + 1.235%) due 02/15/2023 ~	13,500	12,496
General Motors Financial Co., Inc.		
0.364% (EUR003M + 0.680%) due 05/10/2021 •	EUR 4,100	4,576
2.350% due 10/04/2019	$ 2,600	2,578

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
2.450% due 11/06/2020	$ 6,970	$ 6,772
3.150% due 01/15/2020	9,000	8,947
3.200% due 07/13/2020	5,585	5,517
3.258% (US0003M + 0.850%) due 04/09/2021 ~	10,000	9,776
3.366% (US0003M + 0.930%) due 04/13/2020 ~	21,300	21,171
3.700% due 11/24/2020	3,586	3,573
GLP Capital LP		
5.250% due 06/01/2025	3,200	3,185
5.750% due 06/01/2028	5,100	5,170
Goldman Sachs Group, Inc.		
3.200% due 02/23/2023	18,200	17,669
3.307% (US0003M + 0.780%) due 10/31/2022 ~	23,500	22,910
3.500% due 01/23/2025	3,500	3,322
3.750% due 05/22/2025	16,890	16,181
3.786% (US0003M + 1.170%) due 05/15/2026 ~	8,400	8,070
3.988% (US0003M + 1.200%) due 09/15/2020 ~	7,900	7,939
6.000% due 06/15/2020	5,740	5,943
Goodman U.S. Finance Three LLC		
3.700% due 03/15/2028	11,200	10,686
GSPA Monetization Trust		
6.422% due 10/09/2029	6,929	7,990
Harley-Davidson Financial Services, Inc.		
3.550% due 05/21/2021	17,100	17,141
3.647% (US0003M + 0.940%) due 03/02/2021 ~	16,300	16,287
HCP, Inc.		
4.000% due 12/01/2022	4,100	4,097
Highwoods Realty LP		
4.125% due 03/15/2028	3,600	3,531
Hospitality Properties Trust		
4.250% due 02/15/2021	6,600	6,622
4.500% due 06/15/2023	4,500	4,542
4.950% due 02/15/2027	13,100	12,864
HSBC Holdings PLC		
3.400% due 03/08/2021	17,900	17,853
3.426% (US0003M + 0.650%) due 09/11/2021 ~	16,100	15,893
3.640% (US0003M + 1.000%) due 05/18/2024 ~	13,000	12,669
3.908% (US0003M + 1.500%) due 01/05/2022 ~	22,900	23,139
5.007% (US0003M + 2.240%) due 03/08/2021 ~	11,500	11,783
6.000% due 09/29/2023 •(g)(h)(k)	EUR 2,100	2,552
6.250% due 03/23/2023 •(g)(h)	$ 20,000	18,775
ING Groep NV		
3.150% due 03/29/2022	5,200	5,117
4.625% due 01/06/2026	4,700	4,741
International Lease Finance Corp.		
8.250% due 12/15/2020	4,248	4,571
Jackson National Life Global Funding		
3.300% due 06/11/2021	18,900	18,896
Jefferies Finance LLC		
7.375% due 04/01/2020	600	601
JPMorgan Chase & Co.		
2.550% due 03/01/2021	6,400	6,311
2.776% due 04/25/2023 •	1,900	1,843
3.797% due 07/23/2024 •	16,900	16,940
3.866% (US0003M + 1.100%) due 06/07/2021 ~	26,500	26,690
JPMorgan Chase Bank N.A.		
2.848% (US0003M + 0.340%) due 04/26/2021 ~	28,800	28,542
3.086% due 04/26/2021 •	1,500	1,494
Lloyds Bank PLC		
3.300% due 05/07/2021	15,600	15,557
7.500% due 04/02/2032 Ø	15,000	12,054
12.000% due 12/16/2024 •(g)	36,435	42,793
Lloyds Banking Group PLC		
3.000% due 01/11/2022	1,700	1,646
7.000% due 06/27/2019 •(g)(h)	GBP 9,200	11,754
7.625% due 06/27/2023 •(g)(h)	5,200	6,835

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Mitsubishi UFJ Financial Group, Inc.		
3.455% due 03/02/2023	$ 21,300	$ 21,180
3.478% (US0003M + 0.740%) due 03/02/2023 ~	17,800	17,515
Mizuho Financial Group, Inc.		
3.549% due 03/05/2023	17,800	17,772
Morgan Stanley		
3.168% (US0003M + 0.550%) due 02/10/2021 ~	21,500	21,266
Nasdaq, Inc.		
3.214% (US0003M + 0.390%) due 03/22/2019 ~	21,700	21,695
National Australia Bank Ltd.		
2.250% due 03/16/2021	18,300	18,046
3.625% due 06/20/2023	5,000	4,993
Oversea-Chinese Banking Corp. Ltd.		
3.090% (US0003M + 0.450%) due 05/17/2021 ~	13,400	13,396
Physicians Realty LP		
4.300% due 03/15/2027	2,250	2,190
Public Storage		
3.094% due 09/15/2027	12,000	11,258
QNB Finance Ltd.		
4.015% (US0003M + 1.570%) due 07/18/2021 ~	16,800	16,904
Realty Income Corp.		
3.000% due 01/15/2027	7,300	6,803
Regions Bank		
3.374% due 08/13/2021 •	17,000	16,935
Royal Bank of Canada		
2.300% due 03/22/2021	18,500	18,250
Royal Bank of Scotland Group PLC		
2.500% due 03/22/2023	EUR 6,100	7,135
7.500% due 08/10/2020 •(g)(h)	$ 4,900	4,863
8.625% due 08/15/2021 •(g)(h)	400	415
Santander UK Group Holdings PLC		
1.125% due 09/08/2023	EUR 400	441
2.875% due 08/05/2021	$ 6,800	6,568
Santander UK PLC		
2.375% due 03/16/2020	5,700	5,638
Senior Housing Properties Trust		
4.750% due 02/15/2028	10,600	10,024
Skandinaviska Enskilda Banken AB		
3.070% (US0003M + 0.430%) due 05/17/2021 ~	16,900	16,794
3.250% due 05/17/2021	17,100	17,086
Societe Generale S.A.		
4.250% due 09/14/2023	16,300	16,204
Society of Lloyd's		
4.750% due 10/30/2024	GBP 1,700	2,266
Springleaf Finance Corp.		
6.125% due 05/15/2022	$ 18,400	17,935
Sumitomo Mitsui Financial Group, Inc.		
2.934% due 03/09/2021	18,500	18,310
Svenska Handelsbanken AB		
3.350% due 05/24/2021	17,600	17,596
Synchrony Bank		
3.650% due 05/24/2021	17,500	17,132
Toronto-Dominion Bank		
2.250% due 03/15/2021	1,900	1,875
2.500% due 01/18/2022	21,100	20,858
3.350% due 10/22/2021	10,300	10,412
U.S. Bank N.A.		
2.737% (US0003M + 0.250%) due 07/24/2020 ~	7,000	6,985
3.150% due 04/26/2021	20,300	20,325
UBS AG		
3.347% due 06/08/2020 •	30,000	29,996
3.588% (US0003M + 0.850%) due 06/01/2020 ~	3,400	3,415
5.125% due 05/15/2024 (h)	1,700	1,696
7.625% due 08/17/2022 (h)	3,700	3,950
UBS Group Funding Switzerland AG		
3.000% due 04/15/2021	20,800	20,645
4.125% due 09/24/2025	3,800	3,779
4.125% due 04/15/2026	14,400	14,328

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
UniCredit SpA		
7.830% due 12/04/2023	$ 35,700	$ 37,384
Unigel Luxembourg S.A.		
10.500% due 01/22/2024	10,100	10,555
United Overseas Bank Ltd.		
3.200% due 04/23/2021	14,400	14,412
Ventas Realty LP		
3.250% due 10/15/2026	4,100	3,815
VEREIT Operating Partnership LP		
4.625% due 11/01/2025	9,600	9,636
Volkswagen Bank GmbH		
0.625% due 09/08/2021	EUR 2,500	2,844
Washington Prime Group LP		
5.950% due 08/15/2024 (k)	$ 7,000	6,148
Wells Fargo & Co.		
6.558% (US0003M + 3.770%) due 03/15/2019 ~(g)	36,400	36,218
Westpac Banking Corp.		
3.050% due 05/15/2020	17,200	17,213
Weyerhaeuser Co.		
4.700% due 03/15/2021	600	615
		1,966,414
INDUSTRIALS 12.9%		
AbbVie, Inc.		
2.900% due 11/06/2022	13,390	13,040
3.375% due 11/14/2021	1,800	1,800
Altice Financing S.A.		
6.625% due 02/15/2023	11,200	10,780
Altice France S.A.		
6.250% due 05/15/2024	7,300	6,835
American Airlines Pass-Through Trust		
3.000% due 04/15/2030	7,562	7,168
3.250% due 04/15/2030	3,871	3,698
Andeavor Logistics LP		
5.500% due 10/15/2019	8,631	8,705
Arrow Electronics, Inc.		
3.500% due 04/01/2022	1,700	1,678
Bacardi Ltd.		
4.450% due 05/15/2025	12,600	12,454
Baker Hughes a GE Co. LLC		
2.773% due 12/15/2022	7,400	7,103
BAT Capital Corp.		
2.764% due 08/15/2022	15,350	14,511
3.222% due 08/15/2024	8,700	8,022
3.557% due 08/15/2027	1,800	1,602
Bayer U.S. Finance LLC		
3.798% (US0003M + 1.010%) due 12/15/2023 ~	7,700	7,368
4.250% due 12/15/2025	13,200	12,872
Broadcom Corp.		
3.875% due 01/15/2027	3,600	3,237
Campbell Soup Co.		
3.650% due 03/15/2023	14,600	14,251
Celgene Corp.		
2.875% due 08/15/2020	2,287	2,272
Centene Corp.		
5.375% due 06/01/2026	12,900	12,577
CenterPoint Energy Resources Corp.		
3.550% due 04/01/2023	8,600	8,612
Charter Communications Operating LLC		
4.464% due 07/23/2022	2,400	2,425
Conagra Brands, Inc.		
3.800% due 10/22/2021	10,600	10,610
Constellation Brands, Inc.		
2.650% due 11/07/2022	2,400	2,300
CVS Health Corp.		
2.750% due 12/01/2022	8,511	8,198
3.500% due 07/20/2022	1,619	1,609
4.300% due 03/25/2028	21,300	20,896
Daimler Finance North America LLC		
2.972% (US0003M + 0.390%) due 05/04/2020 ~	9,250	9,200

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
3.100% due 05/04/2020	$ 17,200	$ 17,107
3.422% (US0003M + 0.840%) due 05/04/2023 ~	16,900	16,735
3.700% due 05/04/2023	16,900	16,833
Danone S.A.		
3.000% due 06/15/2022	1,060	1,042
Dell International LLC		
4.420% due 06/15/2021	9,771	9,766
5.450% due 06/15/2023	12,600	12,834
Delta Air Lines, Inc.		
3.400% due 04/19/2021	7,700	7,640
Deutsche Telekom International Finance BV		
2.820% due 01/19/2022	16,416	16,064
Dominion Energy Gas Holdings LLC		
3.388% (US0003M + 0.600%) due 06/15/2021 ~	20,100	20,051
eBay, Inc.		
2.600% due 07/15/2022	2,600	2,515
EMC Corp.		
2.650% due 06/01/2020	11,600	11,143
Enterprise Products Operating LLC		
3.500% due 02/01/2022	2,430	2,438
5.200% due 09/01/2020	2,700	2,784
ERAC USA Finance LLC		
4.500% due 08/16/2021	3,400	3,471
Express Scripts Holding Co.		
3.050% due 11/30/2022	3,550	3,439
Full House Resorts, Inc.		
8.575% due 01/31/2024 «	3,950	3,648
General Electric Co.		
2.962% (US0003M + 0.380%) due 05/05/2026 ~	4,000	3,223
5.000% due 01/21/2021 •(g)	9,300	7,126
6.150% due 08/07/2037	200	196
6.875% due 01/10/2039	1,800	1,890
General Mills, Inc.		
6.610% due 10/15/2022	10,000	10,567
GlaxoSmithKline Capital PLC		
3.125% due 05/14/2021	12,300	12,323
Hyundai Capital America		
3.601% due 09/18/2020 •	6,000	5,977
Keurig Dr Pepper, Inc.		
3.551% due 05/25/2021	2,300	2,298
4.057% due 05/25/2023	11,100	11,065
Kraft Heinz Foods Co.		
2.800% due 07/02/2020	6,708	6,651
3.188% (US0003M + 0.570%) due 02/10/2021 ~	5,027	4,987
4.000% due 06/15/2023	20,300	20,266
Marathon Oil Corp.		
2.800% due 11/01/2022	8,089	7,604
Marriott International, Inc.		
4.150% due 12/01/2023	16,800	16,845
McDonald's Corp.		
2.939% (US0003M + 0.430%) due 10/28/2021 ~	9,600	9,537
Melco Resorts Finance Ltd.		
4.875% due 06/06/2025	2,000	1,841
Microchip Technology, Inc.		
3.922% due 06/01/2021	10,105	10,029
Mondelez International, Inc.		
3.000% due 05/07/2020	9,600	9,566
MPLX LP		
4.000% due 03/15/2028	6,900	6,483
NetApp, Inc.		
3.375% due 06/15/2021	3,000	2,990
Northwest Airlines Pass-Through Trust		
7.150% due 04/01/2021 «	1,106	1,098
NXP BV		
4.875% due 03/01/2024	6,700	6,738
Odebrecht Oil & Gas Finance Ltd.		
0.000% due 01/30/2019 (e)(g)	299	5
0.000% due 01/31/2019 (e)(g)	4,702	84
Oracle Corp.		
1.900% due 09/15/2021	9,600	9,320

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Park Aerospace Holdings Ltd.		
4.500% due 03/15/2023	$ 4,100	$ 3,844
Philip Morris International, Inc.		
2.375% due 08/17/2022	20,700	19,903
Platin GmbH		
6.875% due 06/15/2023	EUR 11,400	12,607
Reckitt Benckiser Treasury Services PLC		
2.375% due 06/24/2022	$ 9,600	9,225
Reliance Holding USA, Inc.		
4.500% due 10/19/2020	4,600	4,654
Sabine Pass Liquefaction LLC		
5.625% due 02/01/2021	9,880	10,182
Sands China Ltd.		
5.125% due 08/08/2025	17,600	17,459
Seven & i Holdings Co. Ltd.		
3.350% due 09/17/2021	13,000	13,042
Shire Acquisitions Investments Ireland DAC		
1.900% due 09/23/2019	2,600	2,564
Southern Co.		
2.350% due 07/01/2021	14,500	14,105
Sprint Spectrum Co. LLC		
4.738% due 09/20/2029	16,200	15,937
5.152% due 09/20/2029	10,700	10,539
Syngenta Finance NV		
3.933% due 04/23/2021	12,100	11,941
Takeda Pharmaceutical Co. Ltd.		
4.000% due 11/26/2021	19,600	19,880
Teva Pharmaceutical Finance Netherlands BV		
4.500% due 03/01/2025	EUR 11,400	13,255
United Technologies Corp.		
3.279% (US0003M + 0.650%) due 08/16/2021 ~	$ 1,800	1,794
Virgin Media Receivables Financing Notes DAC		
5.500% due 09/15/2024	GBP 12,700	15,593
VMware, Inc.		
2.950% due 08/21/2022	$ 19,933	19,015
Volkswagen Group of America Finance LLC		
3.388% (US0003M + 0.770%) due 11/13/2020 ~	15,000	14,904
3.875% due 11/13/2020	8,400	8,443
4.000% due 11/12/2021	8,289	8,311
4.625% due 11/13/2025	6,400	6,339
4.750% due 11/13/2028	16,300	15,827
Wabtec Corp.		
3.838% (US0003M + 1.050%) due 09/15/2021 ~	7,390	7,366
Walt Disney Co.		
2.125% due 09/13/2022	5,000	4,767
Wynn Las Vegas LLC		
5.500% due 03/01/2025	18,000	16,830
Zimmer Biomet Holdings, Inc.		
2.700% due 04/01/2020	700	693
Zoetis, Inc.		
3.085% (US0003M + 0.440%) due 08/20/2021 ~	7,500	7,448
		836,509
SPECIALTY FINANCE 0.1%		
Lloyds Banking Group PLC		
3.679% due 09/04/2019 (i)	1,400	1,396
3.679% due 09/02/2020 (i)	1,400	1,391
3.679% due 09/02/2021 (i)	1,400	1,385
		4,172
UTILITIES 3.6%		
AT&T, Inc.		
3.086% (US0003M + 0.650%) due 01/15/2020 ~	14,100	14,077
3.386% (US0003M + 0.950%) due 07/15/2021 ~	15,510	15,464
3.400% due 05/15/2025	11,300	10,637
3.488% (US0003M + 0.750%) due 06/01/2021 ~	$ 19,800	$ 19,680
3.956% (US0003M + 1.180%) due 06/12/2024 ~	16,600	16,114
BellSouth LLC		
4.333% due 04/26/2021	13,600	13,643
Duke Energy Corp.		
2.400% due 08/15/2022	3,460	3,327
3.050% due 08/15/2022	1,300	1,275
3.114% (US0003M + 0.500%) due 05/14/2021 ~	16,800	16,726
Electricite de France S.A.		
4.600% due 01/27/2020	2,800	2,841
Enel Finance International NV		
2.875% due 05/25/2022	10,120	9,542
4.250% due 09/14/2023	17,500	17,128
Genesis Energy LP		
6.750% due 08/01/2022	4,300	4,214
NextEra Energy Capital Holdings, Inc.		
3.107% (US0003M + 0.400%) due 08/21/2020 ~	20,200	20,180
NiSource, Inc.		
2.650% due 11/17/2022	4,600	4,408
Odebrecht Drilling Norbe Ltd.		
6.350% due 12/01/2021	4,133	3,990
Odebrecht Drilling Norbe Ltd. (6.350% Cash or 7.350% PIK)		
7.350% due 12/01/2026 (b)	8,478	4,822
Odebrecht Offshore Drilling Finance Ltd.		
6.720% due 12/01/2022	1,075	1,004
Odebrecht Offshore Drilling Finance Ltd. (6.720% Cash or 7.720% PIK)		
7.720% due 12/01/2026 (b)	4,000	1,070
PacifiCorp		
3.350% due 07/01/2025	1,525	1,496
Petrobras Global Finance BV		
6.125% due 01/17/2022	4,347	4,472
Sempra Energy		
3.238% (US0003M + 0.450%) due 03/15/2021 ~	21,300	20,873
Verizon Communications, Inc.		
3.376% due 02/15/2025	27,614	26,828
		233,811
Total Corporate Bonds & Notes (Cost $3,081,667)		**3,040,906**
MUNICIPAL BONDS & NOTES 0.2%		
ILLINOIS 0.1%		
Chicago, Illinois General Obligation Bonds, Series 2015		
7.750% due 01/01/2042	8,040	8,615
IOWA 0.0%		
Iowa Tobacco Settlement Authority Revenue Bonds, Series 2005		
6.500% due 06/01/2023	420	426
TEXAS 0.1%		
Texas Public Finance Authority Revenue Notes, Series 2014		
8.250% due 07/01/2024	3,985	4,051
Total Municipal Bonds & Notes (Cost $12,317)		**13,092**
U.S. GOVERNMENT AGENCIES 65.7%		
Fannie Mae		
1.758% due 08/25/2055 ~(a)	15,435	817
2.310% due 08/01/2022	4,500	4,432
2.375% due 12/25/2036 - 07/25/2037 •	855	843
2.670% due 08/01/2022	709	705
2.749% due 09/25/2046 •	3,293	3,298
2.756% due 05/25/2037 •	$ 52	$ 53
2.856% due 03/25/2044 •	541	541
2.870% due 09/01/2027	6,400	6,240
2.916% due 09/25/2035 •	329	330
3.000% due 09/01/2020 - 06/01/2030	53,278	53,349
3.206% due 10/25/2037 •	519	526
3.253% due 06/01/2043 - 07/01/2044 •	810	805
3.330% due 11/01/2021	1,213	1,233
3.453% due 09/01/2040 •	3	3
3.500% due 08/01/2029 - 10/01/2048	2,633	2,642
3.532% due 01/01/2025 •	2	2
3.825% due 04/01/2035 •	740	764
3.922% due 11/01/2035 •	24	25
3.931% due 10/01/2032 •	146	152
4.000% due 01/01/2026 - 12/01/2048	367,754	375,268
4.120% due 05/25/2035 ~	90	94
4.207% due 08/01/2035 •	332	346
4.258% due 12/01/2036 •	195	203
4.293% due 05/01/2038 •	8,509	8,920
4.378% due 09/01/2039 •	17	17
4.500% due 12/01/2020 - 09/01/2045	20,592	21,448
4.662% due 08/01/2035 •	27	28
4.715% due 09/01/2035 •	44	46
5.000% due 06/01/2025 - 08/01/2044	6,404	6,772
5.188% due 09/01/2034 •	86	91
5.500% due 09/01/2019 - 07/01/2041	15,899	17,048
6.000% due 09/01/2021 - 01/01/2039	5,077	5,499
6.500% due 11/01/2034	24	26
7.000% due 04/25/2023 - 06/01/2032	212	228
Fannie Mae, TBA		
3.000% due 01/01/2049	568,000	554,307
3.500% due 02/01/2034 - 02/01/2049	1,237,895	1,238,215
4.000% due 01/01/2049 - 02/01/2049	907,000	924,253
4.500% due 02/01/2049	64,000	66,253
5.500% due 01/01/2049	13,000	13,768
6.000% due 01/01/2049	4,000	4,297
Freddie Mac		
1.259% due 08/25/2022 ~(a)	51,109	1,944
2.905% due 11/15/2030 •	2	2
2.955% due 09/15/2030 •	4	4
3.156% due 02/25/2045 •	142	142
3.175% due 05/15/2037 •	178	181
3.500% due 02/01/2048 - 10/01/2048	74,802	74,824
4.000% due 04/01/2029 - 11/01/2048	324,585	331,154
4.500% due 03/01/2029 - 09/01/2041	2,037	2,111
5.500% due 10/01/2034 - 10/01/2038	1,784	1,925
6.000% due 02/01/2033 - 05/01/2040	3,141	3,427
6.500% due 04/15/2029 - 10/01/2037	32	34
7.000% due 06/15/2023	104	110
7.500% due 07/15/2030 - 03/01/2032	39	44
8.500% due 08/01/2024	2	2
Freddie Mac, TBA		
3.000% due 01/01/2049	78,000	76,031
3.500% due 01/01/2049	18,000	17,996
4.500% due 01/01/2049	48,900	50,639
6.000% due 01/01/2049	1,000	1,076
Ginnie Mae		
2.649% due 10/20/2043 •	15,444	15,445
2.764% due 08/20/2066 •	3,264	3,264
2.914% due 07/20/2065 - 08/20/2065 •	26,530	26,655
2.964% due 07/20/2063 •	9,209	9,225

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
3.000% due 03/15/2045 - 08/15/2045	$ 9,011	$ 8,883
3.084% due 10/20/2066 •	11,158	11,295
3.114% due 06/20/2066 •	6,097	6,179
3.125% due 10/20/2029 - 11/20/2029 •	39	40
3.144% due 08/20/2066 •	16,886	17,136
3.247% due 04/20/2067 •	12,716	13,047
3.314% due 01/20/2066 •	4,458	4,554
3.375% due 02/20/2027 - 02/20/2032 •	106	110
3.500% due 10/20/2048 - 11/20/2048	12,969	13,068
3.527% due 06/20/2067 •	625	640
3.625% (H15T1Y + 1.500%) due 04/20/2026 ~	17	18
3.625% due 05/20/2030 •	1	1
3.750% due 07/20/2030 •	2	2
5.137% due 09/20/2066 ~	20,790	23,092
6.000% due 12/15/2038 - 11/15/2039	22	24
Ginnie Mae, TBA		
4.000% due 01/01/2049	46,500	47,626
5.000% due 01/01/2049 - 03/01/2049	163,500	170,001
Small Business Administration		
5.130% due 09/01/2023	5	5
6.290% due 01/01/2021	4	5
Total U.S. Government Agencies (Cost $4,191,799)		**4,245,848**
U.S. TREASURY OBLIGATIONS 2.0%		
U.S. Treasury Inflation Protected Securities (f)		
0.375% due 01/15/2027	12,980	12,338
0.625% due 01/15/2024	8,019	7,897
0.625% due 01/15/2026 (k)	48,425	47,169
0.750% due 07/15/2028	32,637	31,971
0.875% due 02/15/2047 (m)(o)	8,590	7,905
U.S. Treasury Notes		
1.750% due 09/30/2022 (k)(m)(o)	20,665	20,125
Total U.S. Treasury Obligations (Cost $128,522)		**127,405**
NON-AGENCY MORTGAGE-BACKED SECURITIES 6.9%		
Alba PLC		
1.076% due 03/17/2039 •	GBP 11,237	13,314
American Home Mortgage Investment Trust		
4.885% due 02/25/2045 •	$ 409	414
6.700% due 06/25/2036 Ø	11,998	4,391
Banc of America Funding Trust		
4.356% due 05/25/2035 ~	383	402
6.000% due 03/25/2037 ^	3,177	2,795
Banc of America Mortgage Trust		
3.910% due 03/25/2035 ~	3,548	3,470
4.460% due 05/25/2033 ~	440	450
6.500% due 10/25/2031	51	52
BCAP LLC Trust		
2.716% due 05/25/2047 •	3,490	3,208
4.931% due 03/26/2037 Ø	585	580
Bear Stearns Adjustable Rate Mortgage Trust		
2.781% due 11/25/2030 ~	1	1
3.950% due 04/25/2033 ~	102	103
4.005% due 04/25/2034 ~	475	477
4.035% due 02/25/2033 ~	11	10
4.170% due 11/25/2034 ~	1,150	1,119
4.263% due 07/25/2034 ~	467	458
4.337% due 02/25/2033 ~	7	7
4.427% due 01/25/2035 ~	235	229
4.523% due 01/25/2035 ~	112	113
4.835% due 01/25/2034 ~	238	243
4.910% due 02/25/2036 •	59	59
Bear Stearns ALT-A Trust		
3.839% due 05/25/2036 ^~	2,238	1,605
4.032% due 05/25/2035 ~	1,320	1,334
4.209% due 09/25/2035 ^~	771	641

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Bear Stearns Structured Products, Inc. Trust		
4.348% due 01/26/2036 ^~	$ 1,772	$ 1,603
5.425% due 12/26/2046 ^~	1,139	1,066
Business Mortgage Finance PLC		
2.887% due 02/15/2041 •	GBP 3,111	3,955
BX Trust		
3.375% due 07/15/2034 •	$ 12,978	12,866
CFCRE Commercial Mortgage Trust		
3.644% due 12/10/2054	7,037	7,144
Chase Mortgage Finance Trust		
3.743% due 01/25/2036 ^~	2,252	2,008
Citigroup Mortgage Loan Trust		
4.820% due 10/25/2035 •	136	138
5.500% due 12/25/2035	3,543	2,873
Citigroup Mortgage Loan Trust, Inc.		
3.897% due 05/25/2035 ~	665	669
4.240% due 09/25/2035 •	6,991	7,079
Countrywide Alternative Loan Trust		
2.660% due 09/20/2046 •	7,288	6,140
2.696% due 09/25/2046 ^•	16,498	15,197
2.706% due 05/25/2036 •	1,239	1,097
3.506% due 08/25/2035 ^•	3,842	2,740
6.000% due 03/25/2035	15,386	14,279
6.000% due 02/25/2037 ^	7,982	5,722
Countrywide Home Loan Mortgage Pass-Through Trust		
4.225% due 02/20/2035 ~	848	854
4.290% due 11/25/2034 ~	996	990
4.592% due 02/20/2036 ^•	243	212
Credit Suisse First Boston Mortgage Securities Corp.		
5.302% due 06/25/2032 ~	16	15
Deutsche ALT-A Securities, Inc. Mortgage Loan Trust		
2.656% due 03/25/2037 ^•	4,962	4,543
3.006% due 02/25/2035 •	284	280
Eurosail PLC		
1.050% due 03/13/2045 •	GBP 1,753	2,168
1.060% due 03/13/2045 •	5,982	7,472
First Horizon Alternative Mortgage Securities Trust		
3.772% due 08/25/2035 ^~	$ 2,721	2,424
First Horizon Mortgage Pass-Through Trust		
4.099% due 10/25/2035 ^~	2,574	2,470
Great Hall Mortgages PLC		
2.931% due 06/18/2039 •	3,727	3,591
GS Mortgage Securities Corp.		
3.120% due 05/10/2050	13,200	13,173
GS Mortgage Securities Corp. Trust		
2.856% due 05/10/2034	10,700	10,614
3.203% due 02/10/2029	5,500	5,490
3.980% due 02/10/2029	17,150	17,226
GS Mortgage Securities Trust		
3.602% due 10/10/2049 ~	3,037	3,042
GSR Mortgage Loan Trust		
4.300% due 09/25/2035 ~	1,726	1,760
4.464% due 11/25/2035 ~	413	417
HarborView Mortgage Loan Trust		
2.910% due 05/19/2035 •	328	318
3.053% due 10/19/2035 •	2,694	2,295
4.056% due 12/19/2035 ^~	2,772	2,218
4.065% due 07/19/2035 ^~	1,126	1,068
Hilton USA Trust		
2.828% due 11/05/2035	14,400	14,136
IndyMac Adjustable Rate Mortgage Trust		
3.947% due 01/25/2032 ~	1	1
IndyMac Mortgage Loan Trust		
2.676% due 01/25/2037 ^•	2,594	2,458
3.559% due 06/25/2036 ~	6,676	5,734
JPMorgan Chase Commercial Mortgage Securities Trust		
3.455% due 06/15/2032 •	20,200	19,833
JPMorgan Mortgage Trust		
4.090% due 08/25/2034 ~	2,272	2,257
4.124% due 06/25/2035 ~	357	363
4.196% due 10/25/2036 ^~	3,410	3,057
5.750% due 01/25/2036 ^	478	368
Landmark Mortgage Securities PLC		
1.083% due 04/17/2044 •	GBP 19,614	23,572

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
LMREC, Inc.		
3.484% due 02/22/2032 •	$ 13,600	$ 13,564
MASTR Adjustable Rate Mortgages Trust		
2.897% due 01/25/2047 ^•	3,004	2,458
Merrill Lynch Mortgage Investors Trust		
2.756% due 11/25/2035 •	37	36
4.121% due 04/25/2035 ~	2,337	2,237
Morgan Stanley Bank of America Merrill Lynch Trust		
3.069% due 02/15/2048	3,100	3,100
3.557% due 12/15/2047	7,200	7,329
Morgan Stanley Mortgage Loan Trust		
4.065% due 07/25/2035 ^~	2,784	2,563
MortgageIT Trust		
2.816% due 12/25/2035 •	2,650	2,597
MSSG Trust		
3.397% due 09/13/2039	17,400	17,061
Prime Mortgage Trust		
2.906% due 02/25/2034 •	68	65
3.006% due 02/25/2035 •	3,219	3,103
RBSSP Resecuritization Trust		
4.212% due 12/25/2035 ~	11,657	11,938
Residential Accredit Loans, Inc. Trust		
2.606% due 05/25/2037 •	9,109	8,315
3.906% due 08/25/2036 ^•	3,852	3,689
4.745% due 12/25/2035 ^~	457	413
6.000% due 09/25/2036	899	791
6.500% due 09/25/2036 ^	5,910	4,285
Residential Asset Securitization Trust		
2.956% due 10/25/2035 •	1,686	1,476
Residential Funding Mortgage Securities, Inc. Trust		
5.500% due 11/25/2035 ^	1,691	1,626
6.000% due 06/25/2037 ^	2,552	2,375
Structured Adjustable Rate Mortgage Loan Trust		
2.706% due 04/25/2047 •	1,925	1,747
Structured Asset Mortgage Investments Trust		
2.720% due 07/19/2035 •	1,389	1,368
3.130% due 09/19/2032 •	19	18
Suntrust Adjustable Rate Mortgage Loan Trust		
4.158% due 02/25/2037 ^~	2,428	2,177
Tharaldson Hotel Portfolio Trust		
3.133% due 11/11/2034 •	8,483	8,429
Thornburg Mortgage Securities Trust		
4.323% due 06/25/2047 ^•	10,508	9,603
4.373% due 03/25/2037 ^•	1,299	1,160
Wachovia Mortgage Loan Trust LLC		
4.694% due 05/20/2036 ^~	2,506	2,456
WaMu Mortgage Pass-Through Certificates Trust		
2.796% due 10/25/2045 •	306	303
3.006% due 02/25/2045 •	10,256	10,124
3.386% due 05/25/2037 ^~	4,489	3,744
3.693% due 12/25/2036 ^~	331	319
3.898% due 07/25/2037 ^~	2,366	2,182
Warwick Finance Residential Mortgages PLC		
0.000% due 12/21/2049 (e)	GBP 0	1,876
1.710% due 12/21/2049 •	22,431	28,381
2.410% due 12/21/2049 •	2,259	2,863
2.910% due 12/21/2049 •	1,179	1,497
3.410% due 12/21/2049 •	674	854
3.910% due 12/21/2049 •	674	848
Wells Fargo Mortgage-Backed Securities Trust		
4.309% due 07/25/2036 ^~	$ 4,501	4,405
4.607% due 03/25/2036 ~	782	796
4.869% due 01/25/2035 ~	439	450
4.973% due 12/25/2034 ~	355	363
Total Non-Agency Mortgage-Backed Securities (Cost $454,116)		**449,454**
ASSET-BACKED SECURITIES 14.0%		
Accredited Mortgage Loan Trust		
2.636% due 02/25/2037 •	637	638
2.766% due 09/25/2036 •	7,862	7,673
Allegro CLO Ltd.		
3.740% due 01/30/2026 •	5,238	5,240

See Accompanying Notes

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Ally Master Owner Trust		
2.775% due 07/15/2022 •	$ 19,600	$ 19,540
American Express Credit Account Master Trust		
1.640% due 12/15/2021	26,900	26,776
Ameriquest Mortgage Securities, Inc. Asset-Backed Pass-Through Certificates		
2.976% due 11/25/2035 •	8,600	8,325
Argent Securities Trust		
2.656% due 07/25/2036 •	18,824	7,036
2.696% due 03/25/2036 •	6,465	3,825
Atrium Corp.		
3.299% due 04/22/2027 •	16,000	15,813
Avery Point CLO Ltd.		
3.590% due 04/25/2026 •	8,186	8,188
Bear Stearns Asset-Backed Securities Trust		
2.656% due 11/25/2036 •	9,101	8,874
2.666% due 08/25/2036 •	1,278	1,513
3.631% due 02/25/2035 •	7,077	7,110
Capital Auto Receivables Asset Trust		
2.640% due 10/20/2020 •	9,200	9,193
CARDS Trust		
2.715% due 10/17/2022 •	18,200	18,189
2.805% due 04/17/2023 •	16,900	16,925
3.047% due 04/17/2023	16,900	16,908
Cent CLO Ltd.		
3.506% due 10/15/2026 •	16,800	16,661
Chase Issuance Trust		
2.755% due 01/15/2022 •	14,300	14,325
Chesapeake Funding LLC		
3.230% due 08/15/2030	13,700	13,766
Citigroup Mortgage Loan Trust		
3.126% due 12/25/2035 •	576	577
6.750% due 05/25/2036 Ø	4,146	3,034
Countrywide Asset-Backed Certificates		
2.646% due 06/25/2047 ^•	3,372	3,054
2.656% due 07/25/2036 ^•	2,947	2,944
2.656% due 01/25/2037 •	702	701
2.676% due 06/25/2037 •	3,118	3,112
2.736% due 05/25/2037 •	7,400	6,959
2.906% due 06/25/2036 •	6,600	6,476
3.256% due 05/25/2034 •	2,322	2,318
Countrywide Asset-Backed Certificates Trust		
3.306% due 08/25/2047 •	1,549	1,537
Credit Suisse Mortgage Capital Trust		
4.500% due 03/25/2021	10,026	10,063
Credit-Based Asset Servicing & Securitization Trust		
2.566% due 11/25/2036 •	399	250
Discover Card Execution Note Trust		
2.995% due 09/15/2021 •	14,200	14,210
EMC Mortgage Loan Trust		
3.246% due 05/25/2040 •	109	108
Figueroa CLO Ltd.		
3.336% due 01/15/2027 •	16,800	16,788
3.642% due 06/20/2027 •	16,800	16,694
First Franklin Mortgage Loan Trust		
3.241% due 09/25/2035 •	741	744
Flagship Credit Auto Trust		
1.850% due 07/15/2021	1,888	1,879
Ford Credit Floorplan Master Owner Trust		
2.735% due 05/15/2023 •	28,800	28,668
Fremont Home Loan Trust		
2.566% due 01/25/2037 •	75	42
2.916% due 11/25/2035 •	8,100	7,323
Golden Credit Card Trust		
2.855% due 02/15/2021 •	14,400	14,401
GSAA Trust		
5.995% due 03/25/2046 ^~	9,424	6,346
GSAMP Trust		
2.596% due 06/25/2036 •	4,302	2,830
Halcyon Loan Advisors Funding Ltd.		
3.569% due 10/22/2025 •	21,500	21,460
Home Equity Loan Trust		
2.736% due 04/25/2037 •	19,200	17,227

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Hyundai Auto Lease Securitization Trust		
2.735% due 12/16/2019 •	$ 1,882	$ 1,882
Jamestown CLO Ltd.		
3.320% due 07/25/2027 •	6,400	6,337
JMP Credit Advisors CLO Ltd.		
3.299% due 01/17/2028 •	20,800	20,751
JPMorgan Mortgage Acquisition Corp.		
2.896% due 05/25/2035 •	4,500	4,459
2.916% due 10/25/2035 ^•	7,200	6,962
JPMorgan Mortgage Acquisition Trust		
2.766% due 03/25/2037 •	1,900	1,867
Lehman XS Trust		
2.686% due 06/25/2036 •	2,810	2,393
LoanCore Issuer Ltd.		
3.585% due 05/15/2028 •	16,700	16,681
Long Beach Mortgage Loan Trust		
5.506% due 11/25/2032 •	10	11
LP Credit Card ABS Master Trust		
3.830% due 08/20/2024 •	18,907	18,951
MASTR Asset-Backed Securities Trust		
2.746% due 03/25/2036 •	5,929	4,291
3.086% due 12/25/2035 •	4,906	4,906
MidOcean Credit CLO		
3.236% due 04/15/2027 •	4,700	4,687
Monarch Grove CLO		
3.370% due 01/25/2028 •	10,600	10,493
Morgan Stanley ABS Capital, Inc. Trust		
2.656% due 07/25/2036 •	7,925	4,038
2.756% due 08/25/2036 •	14,771	9,447
Mountain Hawk CLO Ltd.		
3.645% due 04/18/2025 •	9,611	9,615
Navient Private Education Loan Trust		
3.955% due 01/16/2035 •	634	634
NovaStar Mortgage Funding Trust		
2.746% due 11/25/2036 •	3,136	1,432
OCP CLO Ltd.		
3.236% due 07/15/2027 •	11,600	11,508
OneMain Direct Auto Receivables Trust		
3.430% due 12/16/2024	16,800	16,840
Option One Mortgage Loan Trust		
2.646% due 03/25/2037 •	6,486	5,800
2.726% due 05/25/2037 •	11,949	8,287
Option One Mortgage Loan Trust Asset-Backed Certificates		
2.966% due 11/25/2035 •	13,900	13,357
OSCAR U.S. Funding Trust LLC		
2.910% due 04/12/2021	3,428	3,423
Palmer Square CLO Ltd.		
3.466% due 08/15/2026 •	12,769	12,693
RAAC Trust		
2.846% due 02/25/2036 •	1,168	1,164
Renaissance Home Equity Loan Trust		
5.285% due 01/25/2037 Ø	12,752	6,749
Residential Asset Mortgage Products Trust		
3.186% due 04/25/2035 •	7,300	7,286
Residential Asset Securities Corp. Trust		
2.666% due 06/25/2036 •	835	835
2.746% due 09/25/2036 •	8,500	8,422
2.756% due 04/25/2037 •	3,783	3,746
2.906% due 02/25/2036 •	6,500	6,191
3.166% due 12/25/2035 •	5,106	4,220
3.376% due 05/25/2035 •	634	637
Santander Retail Auto Lease Trust		
2.710% due 10/20/2020	11,521	11,500
Securitized Asset-Backed Receivables LLC Trust		
2.636% due 05/25/2037 ^•	1,198	891
SG Mortgage Securities Trust		
2.776% due 02/25/2036 •	2,697	1,788
SLM Student Loan Trust		
0.000% due 12/15/2023 •	EUR 1,981	2,265
3.258% due 12/15/2027 •	$ 11,543	11,555
3.338% due 12/15/2025 •	14,604	14,679
SMB Private Education Loan Trust		
2.805% due 03/16/2026 •	9,235	9,230

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
SoFi Professional Loan Program Trust		
2.640% due 08/25/2047	$ 16,227	$ 16,155
Soundview Home Loan Trust		
2.616% due 02/25/2037 •	1,864	712
3.406% due 10/25/2037 •	20,921	17,421
Specialty Underwriting & Residential Finance Trust		
2.656% due 11/25/2037 •	17,398	13,043
Structured Asset Securities Corp. Mortgage Loan Trust		
2.956% due 05/25/2037 •	6,600	6,262
Sudbury Mill CLO Ltd.		
3.599% due 01/17/2026 •	7,811	7,807
3.619% due 01/17/2026 •	7,811	7,815
Symphony CLO Ltd.		
3.466% due 10/15/2025 •	16,595	16,474
Telos CLO Ltd.		
3.719% due 01/17/2027 •	9,400	9,400
Tralee CLO Ltd.		
3.869% due 10/20/2028 •	15,100	14,849
Upstart Securitization Trust		
3.887% due 08/20/2025	4,800	4,790
VB-S1 Issuer LLC		
6.901% due 06/15/2046	2,400	2,492
Venture CLO Ltd.		
3.256% due 04/15/2027 •	12,600	12,510
3.286% due 01/15/2028 •	9,700	9,613
Vericrest Opportunity Loan Transferee LLC		
3.250% due 06/25/2047 Ø	4,119	4,109
Volkswagen Auto Loan Enhanced Trust		
3.050% due 08/20/2021	16,300	16,325
Voya CLO Ltd.		
3.210% due 07/25/2026 •	7,525	7,516
WaMu Asset-Backed Certificates WaMu Trust		
2.756% due 04/25/2037 •	6,570	3,422
Wells Fargo Home Equity Asset-Backed Securities Trust		
3.391% due 11/25/2035 •	1,700	1,706
Westlake Automobile Receivables Trust		
2.980% due 01/18/2022	9,200	9,197
Zais CLO Ltd.		
3.586% due 04/15/2028 •	17,700	17,666
Total Asset-Backed Securities (Cost $885,460)		**908,450**

SOVEREIGN ISSUES 3.0%

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Argentina Government International Bond		
4.000% due 03/06/2020	ARS 268,800	8,784
59.257% (ARLLMONP) due 06/21/2020 ~(a)	1,990	57
Autonomous Community of Catalonia		
4.950% due 02/11/2020	EUR 9,600	11,456
Development Bank of Japan, Inc.		
2.125% due 09/01/2022	$ 18,000	17,491
Japan Finance Organization for Municipalities		
2.625% due 04/20/2022	21,400	21,141
3.375% due 09/27/2023	26,400	26,844
Japan International Cooperation Agency		
2.750% due 04/27/2027	14,000	13,568
Province of Ontario		
1.650% due 09/27/2019	2,700	2,679
3.150% due 06/02/2022	CAD 7,300	5,490
4.000% due 10/07/2019	$ 700	706
4.000% due 06/02/2021	CAD 20,500	15,657
4.200% due 06/02/2020	12,000	9,054
4.400% due 06/02/2019	5,400	3,997
4.400% due 04/14/2020	$ 600	613
Province of Quebec		
2.750% due 08/25/2021	16,400	16,412
3.500% due 07/29/2020	2,900	2,937
3.500% due 12/01/2022	CAD 6,000	4,583
3.750% due 09/01/2024	4,600	3,586
4.500% due 12/01/2020	2,400	1,838
Provincia de Buenos Aires		
53.677% due 04/12/2025 •(a)	ARS 35,575	810
Qatar Government International Bond		
3.875% due 04/23/2023	$ 18,100	18,334

		PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Republic of Greece Government International Bond			
4.750% due 04/17/2019	EUR	5,300	$ 6,143
Total Sovereign Issues (Cost $211,600)			**192,180**
SHORT-TERM INSTRUMENTS 1.6%			
CERTIFICATES OF DEPOSIT 0.2%			
Lloyds Bank Corporate Markets PLC			
3.324% (US0003M + 0.500%) due 09/24/2020 ~		$ 16,500	16,504
COMMERCIAL PAPER 0.2%			
Mondelez International, Inc.			
3.100% due 02/27/2019		16,300	16,220
REPURCHASE AGREEMENTS (j) 0.3%			
			17,110
ARGENTINA TREASURY BILLS 0.3%			
0.810% due 02/22/2019 - 05/31/2019 (d)(e)	ARS	686,249	$ 19,367
GREECE TREASURY BILLS 0.3%			
1.251% due 03/15/2019 (d)(e)	EUR	14,800	16,932
U.S. TREASURY BILLS 0.3%			
2.345% due 01/03/2019 - 02/26/2019 (d)(e)(m)(o)		$ 19,041	18,995
Total Short-Term Instruments (Cost $106,423)			**105,128**
Total Investments in Securities (Cost $9,128,437)			**9,138,631**

	SHARES	MARKET VALUE (000S)
INVESTMENTS IN AFFILIATES 8.0%		
SHORT-TERM INSTRUMENTS 8.0%		
CENTRAL FUNDS USED FOR CASH MANAGEMENT PURPOSES 8.0%		
PIMCO Short Asset Portfolio	37,563,090	$ 372,701
PIMCO Short-Term Floating NAV Portfolio III	14,406,192	142,391
Total Short-Term Instruments (Cost $518,383)		**515,092**
Total Investments in Affiliates (Cost $518,383)		**515,092**
Total Investments 149.3% (Cost $9,646,820)		**$ 9,653,723**
Financial Derivative Instruments (l)(n) 0.2% (Cost or Premiums, net $(10,803))		**11,210**
Other Assets and Liabilities, net (49.5)%		**(3,199,589)**
Net Assets 100.0%		**$ 6,465,344**

NOTES TO SCHEDULE OF INVESTMENTS:

* A zero balance may reflect actual amounts rounding to less than one thousand.

^ Security is in default.

« Security valued using significant unobservable inputs (Level 3).

~ Variable or Floating rate security. Rate shown is the rate in effect as of period end. Certain variable rate securities are not based on a published reference rate and spread, rather are determined by the issuer or agent and are based on current market conditions. Reference rate is as of reset date, which may vary by security. These securities may not indicate a reference rate and/or spread in their description.

• Rate shown is the rate in effect as of period end. The rate may be based on a fixed rate, a capped rate or a floor rate and may convert to a variable or floating rate in the future. These securities do not indicate a reference rate and spread in their description.

Ø Coupon represents a rate which changes periodically based on a predetermined schedule or event. Rate shown is the rate in effect as of period end.

(a) Interest only security.

(b) Payment in-kind security.

(c) Security is not accruing income as of the date of this report.

(d) Coupon represents a weighted average yield to maturity.

(e) Zero coupon security.

(f) Principal amount of security is adjusted for inflation.

(g) Perpetual maturity; date shown, if applicable, represents next contractual call date.

(h) Contingent convertible security.

(i) RESTRICTED SECURITIES:

Issuer Description	Coupon	Maturity Date	Acquisition Date	Cost	Market Value	Market Value as Percentage of Net Assets
Lloyds Banking Group PLC	3.679%	09/04/2019	05/22/2018	$ 1,400	$ 1,396	0.02%
Lloyds Banking Group PLC	3.679	09/02/2020	05/22/2018	1,400	1,391	0.02
Lloyds Banking Group PLC	3.679	09/02/2021	05/22/2018	1,400	1,385	0.02
				$ 4,200	$ 4,172	0.06%

BORROWINGS AND OTHER FINANCING TRANSACTIONS

(j) REPURCHASE AGREEMENTS:

Counterparty	Lending Rate	Settlement Date	Maturity Date	Principal Amount	Collateralized By	Collateral (Received)	Repurchase Agreements, at Value	Repurchase Agreement Proceeds to be Received[(1)]
BOS	2.150%	12/19/2018	01/03/2019	$ 3,394	Pacific Gas & Electric Co. 3.950% due 12/01/2047	$ (3,383)	$ 3,394	$ 3,397
BOS	2.150	01/03/2019	01/17/2019	3,350	Pacific Gas & Electric Co. 3.950% due 12/01/2047	(3,383)	3,350	3,353
FICC	2.000	12/31/2018	01/02/2019	5,611	U.S. Treasury Notes 2.875% due 09/30/2023	(5,727)	5,611	5,611
SAL	2.030	12/18/2018	01/03/2019	2,395	Pacific Gas & Electric Co. 3.950% due 12/01/2047	(2,384)	2,395	2,397
SAL	2.100	01/03/2019	01/17/2019	2,360	Pacific Gas & Electric Co. 3.950% due 12/01/2047	(2,383)	2,360	2,362
Total Repurchase Agreements						**$ (17,260)**	**$ 17,110**	**$ 17,120**

REVERSE REPURCHASE AGREEMENTS:

Counterparty	Borrowing Rate[(2)]	Settlement Date	Maturity Date	Amount Borrowed[(2)]	Payable for Reverse Repurchase Agreements
BOM	2.740%	12/31/2018	02/28/2019	$ (32,482)	$ (32,487)
BRC	(0.850)	11/19/2018	TBD[(3)]	EUR (773)	(885)
	2.450	12/24/2018	TBD[(3)]	$ (2,576)	(2,577)
TDM	2.350	12/21/2018	TBD[(3)]	(962)	(963)
Total Reverse Repurchase Agreements					**$ (36,912)**

SALE-BUYBACK TRANSACTIONS:

Counterparty	Borrowing Rate[(2)]	Borrowing Date	Maturity Date	Amount Borrowed[(2)]	Payable for Sale-Buyback Transactions[(4)]
MSC	4.000%	12/31/2018	01/02/2019	$ (10,767)	$ (10,768)
Total Sale-Buyback Transactions					**$ (10,768)**

SHORT SALES:

Description	Coupon	Maturity Date	Principal Amount	Proceeds	Payable for Short Sales[(5)]
Corporate Bonds & Notes (0.1)%					
Utilities (0.1)%					
Pacific Gas & Electric Co.	3.950%	12/01/2047	$ 7,500	$ (5,656)	$ (5,767)
Total Corporate Bonds & Notes				(5,656)	(5,767)
U.S. Government Agencies (2.4)%					
Freddie Mac, TBA	4.000	01/01/2049	152,000	(152,952)	(154,965)
Total Short Sales (2.5)%				**$ (158,608)**	**$ (160,732)**

BORROWINGS AND OTHER FINANCING TRANSACTIONS SUMMARY

The following is a summary by counterparty of the market value of Borrowings and Other Financing Transactions and collateral pledged/(received) as of December 31, 2018:

Counterparty	Repurchase Agreement Proceeds to be Received[(1)]	Payable for Reverse Repurchase Agreements	Payable for Sale-Buyback Transactions	Payable for Short Sales[(5)]	Total Borrowings and Other Financing Transactions	Collateral Pledged/(Received)	Net Exposure[(6)]
Global/Master Repurchase Agreement							
BOM	$ 0	$ (32,487)	$ 0	$ 0	$ (32,487)	$ 32,441	$ (45)
BOS	6,750	0	0	0	6,750	(6,766)	(16)
BRC	0	(3,462)	0	0	(3,462)	3,622	160
FICC	5,611	0	0	0	5,611	(5,727)	(116)
SAL	4,759	0	0	0	4,759	(4,767)	(8)
TDM	0	(963)	0	0	(963)	972	9
Master Securities Forward Transaction Agreement							
MSC	0	0	(10,768)	(5,767)	(16,535)	10,739	(5,796)
Total Borrowings and Other Financing Transactions	**$ 17,120**	**$ (36,912)**	**$ (10,768)**	**$ (5,767)**			

CERTAIN TRANSFERS ACCOUNTED FOR AS SECURED BORROWINGS

Remaining Contractual Maturity of the Agreements

	Overnight and Continuous	Up to 30 days	31-90 days	Greater Than 90 days	Total
Reverse Repurchase Agreements					
Corporate Bonds & Notes	$ 0	$ 0	$ 0	$ (4,425)	$ (4,425)
U.S. Treasury Obligations	0	0	(32,487)	0	(32,487)
Total	**$ 0**	**$ 0**	**$ (32,487)**	**$ (4,425)**	**$ (36,912)**
Sale-Buyback Transactions					
U.S. Treasury Obligations	0	(10,768)	0	0	(10,768)
Total	**$ 0**	**$ (10,768)**	**$ 0**	**$ 0**	**$ (10,768)**
Total Borrowings	**$ 0**	**$ (10,768)**	**$ (32,487)**	**$ (4,425)**	**$ (47,680)**
Payable for reverse repurchase agreements and sale-buyback financing transactions					**$ (47,680)**

(k) Securities with an aggregate market value of $47,774 have been pledged as collateral under the terms of the above master agreements as of December 31, 2018.

(1) Includes accrued interest.

(2) The average amount of borrowings outstanding during the period ended December 31, 2018 was $(854,861) at a weighted average interest rate of 1.978%. Average borrowings may include sale-buyback transactions and reverse repurchase agreements, if held during the period.

(3) Open maturity reverse repurchase agreement.

(4) Payable for sale-buyback transactions includes $(1) of deferred price drop.

(5) Payable for short sales includes $26 of accrued interest.

(6) Net Exposure represents the net receivable/(payable) that would be due from/to the counterparty in the event of default. Exposure from borrowings and other financing transactions can only be netted across transactions governed under the same master agreement with the same legal Entity. See Note 8, Master Netting Arrangements, in the Notes to Financial Statements for more information regarding master netting arrangements.

(l) FINANCIAL DERIVATIVE INSTRUMENTS: EXCHANGE-TRADED OR CENTRALLY CLEARED

PURCHASED OPTIONS:

OPTIONS ON EXCHANGE-TRADED FUTURES CONTRACTS

Description	Strike Price	Expiration Date	# of Contracts	Notional Amount	Cost	Market Value
Put - CBOT U.S. Treasury 10-Year Note March 2019 Futures	$ 106.500	02/22/2019	2,935	$ 2,935	$ 25	$ 3
Call - CBOT U.S. Treasury 10-Year Note March 2019 Futures	131.500	02/22/2019	784	784	7	11
Call - CBOT U.S. Treasury 10-Year Note March 2019 Futures	132.000	02/22/2019	385	385	3	5
Call - CBOT U.S. Treasury 10-Year Note March 2019 Futures	133.500	02/22/2019	118	118	1	0
Call - CBOT U.S. Treasury 10-Year Note March 2019 Futures	136.500	02/22/2019	3	3	0	0
Call - CBOT U.S. Treasury 10-Year Note March 2019 Futures	137.500	02/22/2019	17	17	0	0
Call - CBOT U.S. Treasury 30-Year Bond March 2019 Futures	169.000	02/22/2019	3,429	3,429	28	103
Put - CBOT U.S. Treasury 5-Year Note March 2019 Futures	103.750	02/22/2019	19,284	19,284	165	21
Put - CBOT U.S. Treasury Ultra Long-Term Bond March 2019 Futures	110.000	02/22/2019	256	256	2	0
Put - CBOT U.S. Treasury Ultra Long-Term Bond March 2019 Futures	119.000	02/22/2019	2,490	2,490	21	3
Put - CBOT U.S. Treasury Ultra Long-Term Bond March 2019 Futures	120.000	02/22/2019	279	279	3	0
Total Purchased Options					**$ 255**	**$ 146**

FUTURES CONTRACTS:

LONG FUTURES CONTRACTS

Description	Expiration Month	# of Contracts	Notional Amount	Unrealized Appreciation/ (Depreciation)	Variation Margin Asset	Variation Margin Liability
3-Month Euribor June Futures	06/2019	3,563	$ 1,023,536	$ (7)	$ 0	$ (51)
90-Day Eurodollar March Futures	03/2019	782	190,202	8	0	0
Call Options Strike @ EUR 160.000 on Euro-BTP Italy Government Bond March 2019 Futures	02/2019	674	8	(1)	0	0
Call Options Strike @ EUR 162.000 on Euro-OAT France Government 10-Year Bond March 2019 Futures	02/2019	900	10	(1)	0	0
Call Options Strike @ EUR 166.000 on Euro-OAT France Government 10-Year Bond March 2019 Futures	02/2019	1,755	20	(2)	0	0
Euro-Bund 10-Year Bond March Futures	03/2019	3,301	618,528	4,658	0	(719)
Put Options Strike @ EUR 147.000 on Euro-Bund 10-Year Bond March 2019 Futures	02/2019	2,894	33	(3)	0	0

Description	Expiration Month	# of Contracts	Notional Amount	Unrealized Appreciation/ (Depreciation)	Variation Margin Asset	Variation Margin Liability
Put Options Strike @ EUR 149.500 on Euro-Bund 10-Year Bond March 2019 Futures	02/2019	264	$ 3	$ 0	$ 0	$ 0
U.S. Treasury 5-Year Note March Futures	03/2019	17,493	2,006,228	33,103	4,373	0
U.S. Treasury Ultra Long-Term Bond March Futures	03/2019	3,797	610,012	31,791	2,255	0
				$ 69,546	$ 6,628	$ (770)

SHORT FUTURES CONTRACTS

Description	Expiration Month	# of Contracts	Notional Amount	Unrealized Appreciation/ (Depreciation)	Variation Margin Asset	Variation Margin Liability
90-Day Eurodollar December Futures	12/2020	972	$ (236,998)	$ (1,010)	$ 0	$ (85)
90-Day Eurodollar June Futures	06/2020	2,991	(729,094)	(1,606)	3	(168)
90-Day Eurodollar March Futures	03/2020	561	(136,667)	(505)	0	(28)
90-Day Eurodollar September Futures	09/2020	1,616	(394,082)	(714)	0	(87)
Australia Government 10-Year Bond March Futures	03/2019	2,378	(222,223)	(2,782)	0	(1,053)
Canada Government 10-Year Bond March Futures	03/2019	545	(54,600)	(1,685)	20	0
Euro-BTP Italy Government Bond March Futures	03/2019	4,741	(694,318)	(25,971)	0	(326)
Euro-Buxl 30-Year Bond March Futures	03/2019	782	(161,831)	(3,836)	735	0
Euro-OAT France Government 10-Year Bond March Futures	03/2019	3,602	(622,350)	(275)	866	0
U.S. Treasury 10-Year Note March Futures	03/2019	1,567	(191,198)	(3,087)	0	(513)
U.S. Treasury 30-Year Bond March Futures	03/2019	3,101	(452,746)	(20,681)	0	(1,454)
United Kingdom Long Gilt March Futures	03/2019	398	(62,483)	(571)	66	(203)
				$ (62,723)	$ 1,690	$ (3,917)
Total Futures Contracts				**$ 6,823**	**$ 8,318**	**$ (4,687)**

SWAP AGREEMENTS:

CREDIT DEFAULT SWAPS ON CORPORATE ISSUES - SELL PROTECTION(1)

Reference Entity	Fixed Receive Rate	Payment Frequency	Maturity Date	Implied Credit Spread at December 31, 2018(3)	Notional Amount(4)	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Market Value(5)	Variation Margin Asset	Variation Margin Liability
General Electric Co.	1.000%	Quarterly	12/20/2023	2.039%	$ 12,400	$ (703)	$ 143	$ (560)	$ 4	$ 0
Morgan Stanley	1.000	Quarterly	12/20/2020	0.467	12,100	201	(73)	128	0	(1)
Rolls-Royce PLC	1.000	Quarterly	12/20/2023	1.289	EUR 14,400	(199)	(26)	(225)	5	0
Tesco PLC	1.000	Quarterly	06/20/2022	1.146	15,000	(732)	652	(80)	0	(17)
						$ (1,433)	$ 696	$ (737)	$ 9	$ (18)

CREDIT DEFAULT SWAPS ON CREDIT INDICES - BUY PROTECTION(2)

Index/Tranches	Fixed (Pay) Rate	Payment Frequency	Maturity Date	Notional Amount(4)	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Market Value(5)	Variation Margin Asset	Variation Margin Liability
CDX.IG-30 5-Year Index	(1.000)%	Quarterly	06/20/2023	$ 146,700	$ (2,546)	$ 1,304	$ (1,242)	$ 0	$ (50)

CREDIT DEFAULT SWAPS ON CREDIT INDICES - SELL PROTECTION(1)

Index/Tranches	Fixed Receive Rate	Payment Frequency	Maturity Date	Notional Amount(4)	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Market Value(5)	Variation Margin Asset	Variation Margin Liability
CDX.HY-30 5-Year Index	5.000%	Quarterly	06/20/2023	$ 16,300	$ 993	$ (463)	$ 530	$ 24	$ 0
CDX.HY-31 5-Year Index	5.000	Quarterly	12/20/2023	2,700	143	(83)	60	4	0
CDX.IG-31 5-Year Index	1.000	Quarterly	12/20/2023	506,300	5,364	(2,335)	3,029	186	0
					$ 6,500	$ (2,881)	$ 3,619	$ 214	$ 0

INTEREST RATE SWAPS

Pay/Receive Floating Rate	Floating Rate Index	Fixed Rate	Payment Frequency	Maturity Date	Notional Amount	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Market Value	Variation Margin Asset	Variation Margin Liability
Receive	3-Month CAD-Bank Bill	1.750%	Semi-Annual	12/16/2046	CAD 5,800	$ 712	$ 113	$ 825	$ 25	$ 0
Pay	3-Month USD-LIBOR	1.951	Semi-Annual	12/05/2019	$ 539,400	0	(4,295)	(4,295)	0	(27)
Pay	3-Month USD-LIBOR	2.800	Semi-Annual	08/22/2023	180,000	(4,137)	7,228	3,091	352	0
Pay(6)	6-Month EUR-EURIBOR	1.000	Annual	03/20/2029	EUR 218,500	(950)	4,611	3,661	320	0

Pay/Receive Floating Rate	Floating Rate Index	Fixed Rate	Payment Frequency	Maturity Date		Notional Amount	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Market Value	Variation Margin Asset	Variation Margin Liability
Pay[6]	6-Month EUR-EURIBOR	1.000%	Annual	06/19/2029	EUR	79,600	$ 248	$ 622	$ 870	$ 120	$ 0
Pay	6-Month EUR-EURIBOR	1.613	Annual	07/04/2042		26,000	0	1,862	1,862	32	0
Pay	6-Month EUR-EURIBOR	1.623	Annual	07/04/2042		27,400	0	2,028	2,028	34	0
Pay	6-Month EUR-EURIBOR	1.624	Annual	07/04/2042		63,600	0	4,731	4,731	80	0
Pay[6]	6-Month EUR-EURIBOR	1.500	Annual	03/20/2049		22,600	(452)	1,180	728	20	0
Receive[6]	6-Month GBP-LIBOR	1.250	Semi-Annual	03/20/2024	GBP	80,300	1,487	(1,146)	341	0	(139)
Receive[6]	6-Month GBP-LIBOR	1.500	Semi-Annual	03/20/2029		66,400	1,142	(1,589)	(447)	0	(318)
Receive[6]	6-Month GBP-LIBOR	1.750	Semi-Annual	03/20/2049		28,100	(173)	(1,674)	(1,847)	0	(315)
Receive[6]	6-Month GBP-LIBOR	1.750	Semi-Annual	06/19/2049		37,500	(2,604)	202	(2,402)	0	(422)
Receive	6-Month JPY-LIBOR	0.300	Semi-Annual	03/18/2026	JPY	65,350,000	(3,919)	(6,110)	(10,029)	38	(36)
Receive	6-Month JPY-LIBOR	0.300	Semi-Annual	09/20/2027		7,200,000	(375)	(651)	(1,026)	0	(10)
Receive	6-Month JPY-LIBOR	0.300	Semi-Annual	03/20/2028		1,700,000	118	(347)	(229)	0	(4)
Pay	6-Month JPY-LIBOR	0.380	Semi-Annual	06/18/2028		17,350,000	663	2,706	3,369	57	0
Receive	6-Month JPY-LIBOR	0.399	Semi-Annual	06/18/2028		2,750,000	(2)	(577)	(579)	0	(9)
Receive[6]	6-Month JPY-LIBOR	0.450	Semi-Annual	03/20/2029		2,870,000	(212)	(465)	(677)	0	(13)
Receive	6-Month JPY-LIBOR	0.750	Semi-Annual	03/20/2038		8,990,000	338	(3,905)	(3,567)	0	(30)
Receive	6-Month JPY-LIBOR	0.800	Semi-Annual	10/22/2038		690,000	0	(323)	(323)	0	(6)
Receive	6-Month JPY-LIBOR	0.705	Semi-Annual	10/31/2038		2,050,000	131	(736)	(605)	0	(18)
Receive	6-Month JPY-LIBOR	0.785	Semi-Annual	11/12/2038		1,050,000	4	(461)	(457)	0	(10)
Receive	6-Month JPY-LIBOR	0.750	Semi-Annual	12/20/2038		8,880,000	538	(3,758)	(3,220)	0	(82)
Receive	6-Month JPY-LIBOR	1.000	Semi-Annual	03/21/2048		720,000	(22)	(504)	(526)	3	0
Pay	28-Day MXN-TIIE	8.075	Lunar	08/26/2020	MXN	2,293,300	(1,332)	334	(998)	175	0
Pay	28-Day MXN-TIIE	8.700	Lunar	11/02/2020		1,954,600	(113)	259	146	161	0
Pay	28-Day MXN-TIIE	8.735	Lunar	11/06/2020		154,800	0	19	19	13	0
Pay	28-Day MXN-TIIE	8.720	Lunar	11/13/2020		200,400	(14)	36	22	17	0
Receive	28-Day MXN-TIIE	8.683	Lunar	11/27/2020		1,511,600	0	(96)	(96)	0	(127)
Receive	28-Day MXN-TIIE	8.855	Lunar	12/03/2020		2,757,900	51	(720)	(669)	0	(236)
							$ (8,873)	$ (1,426)	$ (10,299)	$ 1,447	$ (1,802)
Total Swap Agreements							**$ (6,352)**	**$ (2,307)**	**$ (8,659)**	**$ 1,670**	**$ (1,870)**

FINANCIAL DERIVATIVE INSTRUMENTS: EXCHANGE-TRADED OR CENTRALLY CLEARED SUMMARY

The following is a summary of the market value and variation margin of Exchange-Traded or Centrally Cleared Financial Derivative Instruments as of December 31, 2018:

	Financial Derivative Assets				Financial Derivative Liabilities			
	Market Value	Variation Margin Asset			Market Value	Variation Margin Liability		
	Purchased Options	Futures	Swap Agreements	Total	Written Options	Futures	Swap Agreements	Total
Total Exchange-Traded or Centrally Cleared	**$ 146**	**$ 8,318**	**$ 1,670**	**$ 10,134**	**$ 0**	**$ (4,687)**	**$ (1,870)**	**$ (6,557)**

(m) Securities with an aggregate market value of $21,955 and cash of $78,751 have been pledged as collateral for exchange-traded and centrally cleared financial derivative instruments as of December 31, 2018. See Note 8, Master Netting Arrangements, in the Notes to Financial Statements for more information regarding master netting arrangements.

(1) If the Portfolio is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Portfolio will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash, securities or other deliverable obligations equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

(2) If the Portfolio is a buyer of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Portfolio will either (i) receive from the seller of protection an amount equal to the notional amount of the swap and deliver the referenced obligation or underlying securities comprising the referenced index or (ii) receive a net settlement amount in the form of cash, securities or other deliverable obligations equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

(3) Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements on corporate or sovereign issues as of period end serve as indicators of the current status of the payment/performance risk and represent the likelihood or risk of default for the credit derivative. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

(4) The maximum potential amount the Portfolio could be required to pay as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.

(5) The prices and resulting values for credit default swap agreements serve as indicators of the current status of the payment/performance risk and represent the likelihood of an expected liability (or profit) for the credit derivative should the notional amount of the swap agreement be closed/sold as of the period end. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced indices' credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

(6) This instrument has a forward starting effective date. See Note 2, Securities Transactions and Investment Income, in the Notes to Financial Statements for further information.

(n) FINANCIAL DERIVATIVE INSTRUMENTS: OVER THE COUNTER

FORWARD FOREIGN CURRENCY CONTRACTS:

Counterparty	Settlement Month	Currency to be Delivered		Currency to be Received		Unrealized Appreciation/ (Depreciation) Asset	Liability
AZD	02/2019	$	15,226	JPY	1,721,300	$ 528	$ 0
	03/2019		34,743	SGD	47,372	75	0
BOA	01/2019	ARS	148,581	$	3,650	0	(225)
	01/2019	CAD	64,095		48,130	1,169	0
	01/2019	MXN	336,250		16,534	0	(559)
	01/2019	$	14,993	EUR	13,133	64	0
	02/2019	GBP	60,235	$	76,756	104	(286)
	02/2019	JPY	800,500		7,260	0	(66)
	03/2019	$	9,931	SGD	13,586	54	0
BPS	01/2019	MXN	539,354	$	26,463	0	(955)
	02/2019	$	17,599	JPY	1,975,700	482	0
	03/2019		17,715	SGD	24,196	69	0
	03/2019		18,328	TRY	104,845	738	0
	05/2019	ARS	160,524	$	3,666	0	(5)
BRC	01/2019		111,641		2,800	0	(79)
	01/2019	$	1,661	ARS	64,273	15	0
	02/2019	EUR	9,840	$	11,245	0	(70)
	02/2019	GBP	65,514		83,974	294	0
	02/2019	JPY	17,865,200		159,110	0	(4,390)
	02/2019	$	6,632	EUR	5,792	28	0
	02/2019		11,529	GBP	9,065	59	(9)
	04/2019	ARS	71,564	$	1,661	0	(1)
CBK	01/2019	BRL	7,601		1,947	0	(14)
	01/2019	JPY	2,850,000		25,223	0	(796)
	01/2019	MXN	961,342		46,726	0	(2,143)
	01/2019	$	1,962	BRL	7,601	0	0
	01/2019		45,152	TRY	295,258	10,237	0
	02/2019	EUR	10,959	$	12,527	0	(74)
	02/2019	GBP	46,828		60,470	957	(300)
	02/2019	JPY	45,200,000		403,697	0	(9,871)
	02/2019	NOK	1,090		129	2	0
	02/2019	$	22,241	EUR	19,466	152	(9)
	02/2019		22,908	GBP	17,808	0	(162)
	02/2019		195,786	JPY	22,111,700	6,578	0
	03/2019		387	KRW	433,985	4	0
FBF	04/2019	CNH	1,796	$	256	0	(5)
GLM	01/2019	ARS	207,707		5,300	0	(131)
	01/2019	AUD	6,454		4,629	82	0
	01/2019	BRL	4,400		1,136	0	0
	01/2019	MXN	1,537,704		74,789	0	(3,379)
	01/2019	$	4,969	AUD	6,798	0	(180)
	01/2019		1,168	BRL	4,400	0	(33)
	01/2019		6,569	RUB	435,076	0	(343)
	02/2019	EUR	15,186	$	17,406	1	(57)
	02/2019	ILS	1,659		451	6	0
	02/2019	$	16,502	EUR	14,452	116	0
	02/2019		210,810	GBP	164,792	468	(790)
	02/2019		280,805	JPY	31,710,000	9,333	0
HUS	01/2019	MXN	1,377,249	$	68,510	0	(1,343)
	01/2019	$	2,162	ARS	84,308	37	0
	01/2019		24,172	JPY	2,736,000	807	0
	01/2019		81,067	MXN	1,667,812	3,561	0
	02/2019	EUR	8,313	$	9,520	0	(39)
	02/2019	JPY	15,529,100		138,043	0	(4,077)
	02/2019	$	53,825	EUR	47,228	481	0
	02/2019		119,298	JPY	13,490,000	4,132	0
	03/2019	EUR	15,400	$	19,672	1,922	0
	03/2019	SGD	35,003		25,552	0	(175)
	03/2019	THB	32,947		1,001	0	(13)
	04/2019	ARS	3,722		88	0	(1)
	05/2019	$	3,685	ARS	160,524	0	(15)
IND	01/2019		19,699	MXN	401,115	691	0
	02/2019		171,729	JPY	19,400,000	5,664	0
	03/2019		10,089	SGD	13,759	24	0

Counterparty	Settlement Month	Currency to be Delivered		Currency to be Received		Unrealized Appreciation/ (Depreciation) Asset	Liability
JPM	01/2019	AUD	5,840	$	4,312	$ 198	$ 0
	01/2019	BRL	41,200		11,158	528	0
	01/2019	$	10,633	BRL	41,200	0	(3)
	01/2019		32,583	MXN	665,255	1,158	0
	02/2019	EUR	3,706	$	4,253	0	(9)
	02/2019	GBP	7,639		9,672	0	(85)
	02/2019	JPY	10,507,500		93,915	0	(2,248)
	02/2019	TRY	458,926		76,766	0	(7,724)
	02/2019	$	20,080	JPY	2,251,100	522	0
	03/2019	SGD	12,987	$	9,479	0	(67)
MSB	01/2019	BRL	36,800		9,497	2	0
	01/2019	$	9,431	BRL	36,800	64	0
MYI	01/2019		19,398	MXN	394,866	674	0
	02/2019	JPY	23,717,900	$	213,250	0	(3,660)
NGF	03/2019	INR	14,380		201	0	(4)
RBC	02/2019	EUR	144,106		163,282	0	(2,420)
	02/2019	$	14,144	GBP	10,943	0	(167)
SCX	01/2019	AUD	6,302	$	4,605	165	0
	01/2019	$	49,621	GBP	38,810	0	(134)
	01/2019		8,505	TRY	56,334	2,063	0
	02/2019	RUB	397,353	$	5,992	318	0
SOG	03/2019	SGD	38,838		28,358	0	(187)
SSB	01/2019	$	911	MXN	18,588	33	0
	03/2019	SGD	354	$	259	0	(1)
UAG	01/2019	$	20,860	MXN	397,074	0	(721)
	02/2019	GBP	162,773	$	210,186	2,277	0
	04/2019	EUR	5,500		6,933	575	0
Total Forward Foreign Currency Contracts						**$ 57,511**	**$ (48,025)**

PURCHASED OPTIONS:

INTEREST RATE SWAPTIONS

Counterparty	Description	Floating Rate Index	Pay/Receive Floating Rate	Exercise Rate	Expiration Date	Notional Amount	Cost	Market Value
BOA	Put - OTC 30-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	2.945%	12/09/2019	$ 24,100	$ 1,157	$ 1,040
	Put - OTC 30-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	2.945	12/11/2019	25,300	1,194	1,097
GLM	Put - OTC 30-Year Interest Rate Swap	3-Month USD-LIBOR	Receive	2.943	12/12/2019	6,100	293	266
							$ 2,644	$ 2,403

OPTIONS ON SECURITIES

Counterparty	Description	Strike Price	Expiration Date	Notional Amount	Cost	Market Value
GSC	Put - OTC Fannie Mae, TBA 4.000% due 01/01/2049	$ 78.000	01/07/2019	$ 45,000	$ 4	$ 0
JPM	Put - OTC Fannie Mae, TBA 3.000% due 01/01/2049	68.000	01/07/2019	5,000	0	0
	Put - OTC Fannie Mae, TBA 3.500% due 01/01/2049	69.000	01/07/2019	59,000	2	0
	Put - OTC Fannie Mae, TBA 4.000% due 01/01/2049	70.000	01/07/2019	24,000	1	0
	Put - OTC Fannie Mae, TBA 4.500% due 01/01/2049	71.000	01/07/2019	2,000	0	0
					$ 7	$ 0
Total Purchased Options					**$ 2,651**	**$ 2,403**

WRITTEN OPTIONS:

CREDIT DEFAULT SWAPTIONS ON CREDIT INDICES

Counterparty	Description	Buy/Sell Protection	Exercise Rate	Expiration Date	Notional Amount	Premiums (Received)	Market Value
BOA	Put - OTC CDX.IG-31 5-Year Index	Sell	1.000%	02/20/2019	$ 54,900	$ (108)	$ (117)
	Put - OTC CDX.IG-31 5-Year Index	Sell	1.100	02/20/2019	13,000	(15)	(18)
	Put - OTC CDX.IG-31 5-Year Index	Sell	1.000	03/20/2019	16,900	(31)	(55)
	Put - OTC CDX.IG-31 5-Year Index	Sell	1.200	03/20/2019	26,000	(29)	(44)
BRC	Put - OTC CDX.IG-31 5-Year Index	Sell	1.050	02/20/2019	23,100	(40)	(39)

 See Accompanying Notes

Counterparty	Description	Buy/Sell Protection	Exercise Rate	Expiration Date	Notional Amount	Premiums (Received)	Market Value
CBK	Put - OTC CDX.IG-31 5-Year Index	Sell	1.100%	02/20/2019	$ 4,800	$ (5)	$ (6)
GST	Put - OTC CDX.IG-31 5-Year Index	Sell	2.400	09/18/2019	14,600	(25)	(28)
	Put - OTC iTraxx Europe 30 5-Year Index	Sell	2.400	09/18/2019	EUR 12,800	(25)	(20)
JPM	Put - OTC CDX.IG-31 5-Year Index	Sell	1.200	03/20/2019	$ 10,000	(19)	(17)
						$ (297)	$ (344)

INFLATION-CAPPED OPTIONS

Counterparty	Description	Initial Index	Floating Rate	Expiration Date	Notional Amount	Premiums (Received)	Market Value
CBK	Floor - OTC CPURNSA	215.949	Maximum of $[(1 + 0.000\%)^{10}$ - (Final Index/Initial Index)] or 0	03/12/2020	$ 13,700	$ (116)	$ 0
	Floor - OTC CPURNSA	216.687	Maximum of $[(1 + 0.000\%)^{10}$ - (Final Index/Initial Index)] or 0	04/07/2020	32,900	(293)	0
	Floor - OTC CPURNSA	217.965	Maximum of $[(1 + 0.000\%)^{10}$ - (Final Index/Initial Index)] or 0	09/29/2020	14,800	(191)	0
DUB	Floor - OTC CPURNSA	215.949	Maximum of [0.000% - (Final Index/Initial Index - 1)] or 0	03/10/2020	4,900	(37)	0
	Floor - OTC CPURNSA	218.011	Maximum of [0.000% - (Final Index/Initial Index - 1)] or 0	10/13/2020	15,400	(151)	0
						$ (788)	$ 0

INTEREST RATE SWAPTIONS

Counterparty	Description	Floating Rate Index	Pay/Receive Floating Rate	Exercise Rate	Expiration Date	Notional Amount	Premiums (Received)	Market Value
BOA	Put - OTC 5-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	2.750%	12/09/2019	$ 105,900	$ (1,157)	$ (977)
	Put - OTC 5-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	2.750	12/11/2019	111,200	(1,193)	(1,033)
GLM	Put - OTC 5-Year Interest Rate Swap	3-Month USD-LIBOR	Pay	2.750	12/12/2019	26,800	(292)	(250)
							$ (2,642)	$ (2,260)
Total Written Options							**$ (3,727)**	**$ (2,604)**

SWAP AGREEMENTS:

CREDIT DEFAULT SWAPS ON CORPORATE AND SOVEREIGN ISSUES - SELL PROTECTION(1)

Counterparty	Reference Entity	Fixed Receive Rate	Payment Frequency	Maturity Date	Implied Credit Spread at December 31, 2018(2)	Notional Amount(3)	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Swap Agreements, at Value(4) Asset	Liability
BPS	Petrobras Global Finance BV	1.000%	Quarterly	12/20/2019	1.143%	$ 6,200	$ (642)	$ 636	$ 0	$ (6)
	Petrobras Global Finance BV	1.000	Quarterly	03/20/2020	1.300	500	(77)	75	0	(2)
BRC	Petrobras Global Finance BV	1.000	Quarterly	12/20/2019	1.143	2,300	(347)	345	0	(2)
GST	Petrobras Global Finance BV	1.000	Quarterly	12/20/2019	1.143	2,400	(264)	261	0	(3)
	Petrobras Global Finance BV	1.000	Quarterly	03/20/2020	1.300	400	(64)	63	0	(1)
HUS	Petrobras Global Finance BV	1.000	Quarterly	03/20/2020	1.300	1,500	(274)	269	0	(5)
JPM	Russia Government International Bond	1.000	Quarterly	12/20/2023	1.530	35,200	(917)	86	0	(831)
	South Africa Government International Bond	1.000	Quarterly	12/20/2023	2.227	16,000	(824)	(42)	0	(866)
							$ (3,409)	$ 1,693	$ 0	$ (1,716)

CREDIT DEFAULT SWAPS ON CREDIT INDICES - SELL PROTECTION(1)

Counterparty	Index/Tranches	Fixed Receive Rate	Payment Frequency	Maturity Date	Notional Amount(3)	Premiums Paid/(Received)	Unrealized Appreciation/ (Depreciation)	Swap Agreements, at Value(4) Asset	Liability
DUB	CMBX.NA.AAA.6 Index	0.500%	Monthly	05/11/2063	$ 10,232	$ (221)	$ 285	$ 64	$ 0
Total Swap Agreements						**$ (3,630)**	**$ 1,978**	**$ 64**	**$ (1,716)**

FINANCIAL DERIVATIVE INSTRUMENTS: OVER THE COUNTER SUMMARY

The following is a summary by counterparty of the market value of OTC financial derivative instruments and collateral pledged/(received) as of December 31, 2018:

	Financial Derivative Assets				Financial Derivative Liabilities						
Counterparty	Forward Foreign Currency Contracts	Purchased Options	Swap Agreements	Total Over the Counter	Forward Foreign Currency Contracts	Written Options	Swap Agreements	Total Over the Counter	Net Market Value of OTC Derivatives	Collateral Pledged/ (Received)	Net Exposure[5]
AZD	$ 603	$ 0	$ 0	$ 603	$ 0	$ 0	$ 0	$ 0	$ 603	$ (330)	$ 273
BOA	1,391	2,137	0	3,528	(1,136)	(2,244)	0	(3,380)	148	(520)	(372)
BPS	1,289	0	0	1,289	(960)	0	(8)	(968)	321	(90)	231
BRC	396	0	0	396	(4,549)	(39)	(2)	(4,590)	(4,194)	2,708	(1,486)
CBK	17,930	0	0	17,930	(13,369)	(6)	0	(13,375)	4,555	(6,580)	(2,025)
DUB	0	0	64	64	0	0	0	0	64	(10)	54
FBF	0	0	0	0	(5)	0	0	(5)	(5)	0	(5)
GLM	10,006	266	0	10,272	(4,913)	(250)	0	(5,163)	5,109	(2,330)	2,779
GST	0	0	0	0	0	(48)	(4)	(52)	(52)	0	(52)
HUS	10,940	0	0	10,940	(5,663)	0	(5)	(5,668)	5,272	(5,376)	(104)
IND	6,379	0	0	6,379	0	0	0	0	6,379	(5,150)	1,229
JPM	2,406	0	0	2,406	(10,136)	(17)	(1,697)	(11,850)	(9,444)	9,219	(225)
MSB	66	0	0	66	0	0	0	0	66	0	66
MYI	674	0	0	674	(3,660)	0	0	(3,660)	(2,986)	1,365	(1,621)
NGF	0	0	0	0	(4)	0	0	(4)	(4)	0	(4)
RBC	0	0	0	0	(2,587)	0	0	(2,587)	(2,587)	2,533	(54)
SCX	2,546	0	0	2,546	(134)	0	0	(134)	2,412	(2,180)	232
SOG	0	0	0	0	(187)	0	0	(187)	(187)	0	(187)
SSB	33	0	0	33	(1)	0	0	(1)	32	0	32
UAG	2,852	0	0	2,852	(721)	0	0	(721)	2,131	(2,860)	(729)
Total Over the Counter	**$ 57,511**	**$ 2,403**	**$ 64**	**$ 59,978**	**$ (48,025)**	**$ (2,604)**	**$ (1,716)**	**$ (52,345)**			

(o) Securities with an aggregate market value of $15,825 have been pledged as collateral for financial derivative instruments as governed by International Swaps and Derivatives Association, Inc. master agreements as of December 31, 2018.

(1) If the Portfolio is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Portfolio will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash, securities or other deliverable obligations equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

(2) Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements on corporate or sovereign issues as of period end serve as indicators of the current status of the payment/performance risk and represent the likelihood or risk of default for the credit derivative. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

(3) The maximum potential amount the Portfolio could be required to pay as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.

(4) The prices and resulting values for credit default swap agreements serve as indicators of the current status of the payment/performance risk and represent the likelihood of an expected liability (or profit) for the credit derivative should the notional amount of the swap agreement be closed/sold as of the period end. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced indices' credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

(5) Net Exposure represents the net receivable/(payable) that would be due from/to the counterparty in the event of default. Exposure from OTC financial derivative instruments can only be netted across transactions governed under the same master agreement with the same legal entity. See Note 8, Master Netting Arrangements, in the Notes to Financial Statements for more information regarding master netting arrangements.

FAIR VALUE OF FINANCIAL DERIVATIVE INSTRUMENTS

The following is a summary of the fair valuation of the Portfolio's derivative instruments categorized by risk exposure. See Note 7, Principal Risks, in the Notes to Financial Statements on risks of the Portfolio.

Fair Values of Financial Derivative Instruments on the Statement of Assets and Liabilities as of December 31, 2018:

	Derivatives not accounted for as hedging instruments					
	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Total
Financial Derivative Instruments - Assets						
Exchange-traded or centrally cleared						
Purchased Options	$ 0	$ 0	$ 0	$ 0	$ 146	$ 146
Futures	0	0	0	0	8,318	8,318
Swap Agreements	0	223	0	0	1,447	1,670
	$ 0	$ 223	$ 0	$ 0	$ 9,911	$ 10,134

	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Total
	Derivatives not accounted for as hedging instruments					
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 57,511	$ 0	$ 57,511
Purchased Options	0	0	0	0	2,403	2,403
Swap Agreements	0	64	0	0	0	64
	$ 0	$ 64	$ 0	$ 57,511	$ 2,403	$ 59,978
	$ 0	$ 287	$ 0	$ 57,511	$ 12,314	$ 70,112
Financial Derivative Instruments - Liabilities						
Exchange-traded or centrally cleared						
Futures	$ 0	$ 0	$ 0	$ 0	$ 4,687	$ 4,687
Swap Agreements	0	68	0	0	1,802	1,870
	$ 0	$ 68	$ 0	$ 0	$ 6,489	$ 6,557
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 48,025	$ 0	$ 48,025
Written Options	0	344	0	0	2,260	2,604
Swap Agreements	0	1,716	0	0	0	1,716
	$ 0	$ 2,060	$ 0	$ 48,025	$ 2,260	$ 52,345
	$ 0	$ 2,128	$ 0	$ 48,025	$ 8,749	$ 58,902

The effect of Financial Derivative Instruments on the Statement of Operations for the period ended December 31, 2018:

	Commodity Contracts	Credit Contracts	Equity Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Total
	Derivatives not accounted for as hedging instruments					
Net Realized Gain (Loss) on Financial Derivative Instruments						
Exchange-traded or centrally cleared						
Purchased Options	$ 0	$ 0	$ 0	$ 0	$ 141	$ 141
Written Options	0	0	0	0	1,186	1,186
Futures	0	0	0	0	(37,752)	(37,752)
Swap Agreements	0	2,504	0	0	45,591	48,095
	$ 0	$ 2,504	$ 0	$ 0	$ 9,166	$ 11,670
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ (40,245)	$ 0	$ (40,245)
Purchased Options	0	(39)	0	(111)	(39)	(189)
Written Options	0	400	0	17,966	1,411	19,777
Swap Agreements	0	864	0	0	(130)	734
	$ 0	$ 1,225	$ 0	$ (22,390)	$ 1,242	$ (19,923)
	$ 0	$ 3,729	$ 0	$ (22,390)	$ 10,408	$ (8,253)
Net Change in Unrealized Appreciation (Depreciation) on Financial Derivative Instruments						
Exchange-traded or centrally cleared						
Purchased Options	$ 0	$ 0	$ 0	$ 0	$ (446)	$ (446)
Written Options	0	0	0	0	22	22
Futures	0	0	0	0	5,332	5,332
Swap Agreements	0	(1,782)	0	0	(11,277)	(13,059)
	$ 0	$ (1,782)	$ 0	$ 0	$ (6,369)	$ (8,151)
Over the counter						
Forward Foreign Currency Contracts	$ 0	$ 0	$ 0	$ 116,157	$ 0	$ 116,157
Purchased Options	0	0	0	0	3,756	3,756
Written Options	0	(47)	0	(2,709)	(3,650)	(6,406)
Swap Agreements	0	(107)	0	0	173	66
	$ 0	$ (154)	$ 0	$ 113,448	$ 279	$ 113,573
	$ 0	$ (1,936)	$ 0	$ 113,448	$ (6,090)	$ 105,422

FAIR VALUE MEASUREMENTS

The following is a summary of the fair valuations according to the inputs used as of December 31, 2018 in valuing the Portfolio's assets and liabilities:

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 12/31/2018
Investments in Securities, at Value				
Loan Participations and Assignments	$ 0	$ 22,788	$ 33,380	$ 56,168
Corporate Bonds & Notes				
Banking & Finance	0	1,966,414	0	1,966,414
Industrials	0	831,763	4,746	836,509
Specialty Finance	0	4,172	0	4,172
Utilities	0	233,811	0	233,811
Municipal Bonds & Notes				
Illinois	0	8,615	0	8,615
Iowa	0	426	0	426
Texas	0	4,051	0	4,051
U.S. Government Agencies	0	4,245,848	0	4,245,848
U.S. Treasury Obligations	0	127,405	0	127,405
Non-Agency Mortgage-Backed Securities	0	449,454	0	449,454
Asset-Backed Securities	0	908,450	0	908,450
Sovereign Issues	0	192,180	0	192,180
Short-Term Instruments				
Certificates of Deposit	0	16,504	0	16,504
Commercial Paper	0	16,220	0	16,220
Repurchase Agreements	0	17,110	0	17,110
Argentina Treasury Bills	0	19,367	0	19,367
Greece Treasury Bills	0	16,932	0	16,932
U.S. Treasury Bills	0	18,995	0	18,995
	$ 0	$ 9,100,505	$ 38,126	$ 9,138,631
Investments in Affiliates, at Value				
Short-Term Instruments				
Central Funds Used for Cash Management Purposes	$ 515,092	$ 0	$ 0	$ 515,092
Total Investments	$ 515,092	$ 9,100,505	$ 38,126	$ 9,653,723

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 12/31/2018
Short Sales, at Value - Liabilities				
Corporate Bonds & Notes	$ 0	$ (5,767)	$ 0	$ (5,767)
U.S. Government Agencies	0	(154,965)	0	(154,965)
	$ 0	$ (160,732)	$ 0	$ (160,732)
Financial Derivative Instruments - Assets				
Exchange-traded or centrally cleared	8,318	1,816	0	10,134
Over the counter	0	59,978	0	59,978
	$ 8,318	$ 61,794	$ 0	$ 70,112
Financial Derivative Instruments - Liabilities				
Exchange-traded or centrally cleared	(4,687)	(1,870)	0	(6,557)
Over the counter	0	(52,345)	0	(52,345)
	$ (4,687)	$ (54,215)	$ 0	$ (58,902)
Total Financial Derivative Instruments	$ 3,631	$ 7,579	$ 0	$ 11,210
Totals	$ 518,723	$ 8,947,352	$ 38,126	$ 9,504,201

There were no significant transfers into or out of Level 3 during the period ended December 31, 2018.

1. ORGANIZATION

PIMCO Variable Insurance Trust (the "Trust") is a Delaware statutory trust established under a trust instrument dated October 3, 1997. The Trust is registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end management investment company. The Trust is designed to be used as an investment vehicle by separate accounts of insurance companies that fund variable annuity contracts and variable life insurance policies and by qualified pension and retirement plans. Information presented in these financial statements pertains to the Institutional Class, Administrative Class and Advisor Class shares of the PIMCO Total Return Portfolio (the "Portfolio") offered by the Trust. Pacific Investment Management Company LLC ("PIMCO") serves as the investment adviser (the "Adviser") for the Portfolio.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Portfolio in the preparation of its financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Portfolio is treated as an investment company under the reporting requirements of U.S. GAAP. The functional and reporting currency for the Portfolio is the U.S. dollar. The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

(a) Securities Transactions and Investment Income Securities transactions are recorded as of the trade date for financial reporting purposes. Securities purchased or sold on a when-issued or delayed-delivery basis may be settled beyond a standard settlement period for the security after the trade date. Realized gains (losses) from securities sold are recorded on the identified cost basis. Dividend income is recorded on the ex-dividend date, except certain dividends from foreign securities where the ex-dividend date may have passed, which are recorded as soon as the Portfolio is informed of the ex-dividend date. Interest income, adjusted for the accretion of discounts and amortization of premiums, is recorded on the accrual basis from settlement date, with the exception of securities with a forward starting effective date, where interest income is recorded on the accrual basis from effective date. For convertible securities, premiums attributable to the conversion feature are not amortized. Estimated tax liabilities on certain foreign securities are recorded on an accrual basis and are reflected as components of interest income or net change in unrealized appreciation (depreciation) on investments on the Statement of Operations, as appropriate. Tax liabilities realized as a result of such security sales are reflected as a component of net realized gain (loss) on investments on the Statement of Operations. Paydown gains (losses) on mortgage-related and other asset-backed securities, if any, are recorded as components of interest income on the Statement of Operations. Income or short-term capital gain distributions received from registered investment companies, if any, are recorded as dividend income. Long-term capital gain distributions received from registered investment companies, if any, are recorded as realized gains.

Debt obligations may be placed on non-accrual status and related interest income may be reduced by ceasing current accruals and writing off interest receivable when the collection of all or a portion of interest has become doubtful based on consistently applied procedures. A debt obligation is removed from non-accrual status when the issuer resumes interest payments or when collectability of interest is probable.

(b) Foreign Currency Translation The market values of foreign securities, currency holdings and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the current exchange rates each business day. Purchases and sales of securities and income and expense items denominated in foreign currencies, if any, are translated into U.S. dollars at the exchange rate in effect on the transaction date. The Portfolio does not separately report the effects of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized gain (loss) and net change in unrealized appreciation (depreciation) from investments on the Statement of Operations. The Portfolio may invest in foreign currency-denominated securities and may engage in foreign currency transactions either on a spot (cash) basis at the rate prevailing in the currency exchange market at the time or through a forward foreign currency contract. Realized foreign exchange gains (losses) arising from sales of spot foreign currencies, currency gains (losses) realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid are included in net realized gain (loss) on foreign currency transactions on the Statement of Operations. Net unrealized foreign exchange gains (losses) arising from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period are included in net change in unrealized appreciation (depreciation) on foreign currency assets and liabilities on the Statement of Operations.

(c) Multi-Class Operations Each class offered by the Trust has equal rights as to assets and voting privileges (except that shareholders of a class have exclusive voting rights regarding any matter relating solely to that class of shares). Income and non-class specific expenses are allocated daily to each class on the basis of the relative net assets. Realized and unrealized capital gains (losses) are allocated daily based on the relative net assets of each class of the Portfolio. Class specific expenses, where applicable, currently include supervisory and administrative and distribution and servicing fees. Under certain circumstances, the per share net asset value ("NAV") of a class of the Portfolio's shares may be different from the per share NAV of another class of shares as a result of the different daily expense accruals applicable to each class of shares.

(d) Distributions to Shareholders Distributions from net investment income, if any, are declared daily and distributed to shareholders monthly. Net realized capital gains earned by the Portfolio, if any, will be distributed no less frequently than once each year.

Income distributions and capital gain distributions are determined in accordance with income tax regulations which may differ from U.S. GAAP. Differences between tax regulations and U.S. GAAP may cause timing differences between income and capital gain recognition. Further, the character of investment income and capital gains may be different for certain transactions under the two methods of accounting. As a result, income distributions and capital gain distributions declared during a fiscal period may differ significantly from the net investment income (loss) and realized gains (losses) reported on the Portfolio's annual financial statements presented under U.S. GAAP.

If the Portfolio estimates that a portion of its distribution may be comprised of amounts from sources other than net investment income in accordance with its policies and good accounting practices, the Portfolio will notify shareholders of the estimated composition of such distribution through a Section 19 Notice. For these purposes, the Portfolio estimates the source or sources from which a distribution is paid, to the close of the period as of which it is paid, in reference to its internal accounting records and related accounting practices. If, based on such accounting records and practices, it is estimated that a particular distribution does not include capital gains or paid-in surplus or other capital sources, a Section 19 Notice generally would not be issued. It is important to note that differences exist between the Portfolio's daily internal accounting records and practices, the Portfolio's financial statements presented in accordance with U.S. GAAP, and recordkeeping practices under income tax regulations. For instance, the Portfolio's internal accounting records and practices may take into account, among other factors, tax-related characteristics of certain sources of distributions that differ from treatment under U.S. GAAP. Examples of such differences may include, among others, the treatment of paydowns on mortgage-backed securities purchased at a discount and periodic payments under interest rate swap contracts. Accordingly, among other consequences, it is possible that the Portfolio may not issue a Section 19 Notice in situations where the Portfolio's financial statements prepared later and in accordance with U.S. GAAP and/or the final tax character of those distributions might later report that the sources of those distributions included capital gains and/or a return of capital. Final determination of a distribution's tax character will be provided to shareholders when such information is available.

Distributions classified as a tax basis return of capital, if any, are reflected on the Statements of Changes in Net Assets and have been recorded to paid in capital on the Statement of Assets and Liabilities. In addition, other amounts have been reclassified between distributable earnings (accumulated loss) and paid in capital on the Statement of Assets and Liabilities to more appropriately conform U.S. GAAP to tax characterizations of distributions.

(e) New Accounting Pronouncements In August 2016, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU"), ASU 2016-15, which amends Accounting Standards Codification ("ASC") 230 to clarify guidance on the classification of certain cash receipts and cash payments in the Statement of Cash Flows. The ASU is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. The Portfolio has adopted the ASU. The implementation of the ASU did not have an impact on the Portfolio's financial statements.

In November 2016, the FASB issued ASU 2016-18 which amends ASC 230 to provide guidance on the classification and presentation of changes in restricted cash and restricted cash equivalents on the Statement of Cash Flows. The ASU is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. The Portfolio has adopted the ASU. The implementation of the ASU did not have an impact on the Portfolio's financial statements.

In March 2017, the FASB issued ASU 2017-08 which provides guidance related to the amortization period for certain purchased callable debt securities held at a premium. The ASU is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods. The Portfolio has adopted the ASU. The implementation of the ASU did not have an impact on the Portfolio's financial statements.

In August 2018, the FASB issued ASU 2018-13 which modifies certain disclosure requirements for fair value measurements in ASC 820. The ASU is effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods. At this time, management has elected to early adopt the amendments that allow for removal of certain disclosure requirements. Management plans to adopt the amendments that require additional fair value measurement disclosures for annual periods beginning after December 15, 2019, and interim periods within those annual periods. Management is currently evaluating the impact of these changes on the financial statements.

In August 2018, the U.S. Securities and Exchange Commission ("SEC") adopted amendments to certain rules and forms for the purpose of disclosure update and simplification. The compliance date for these amendments is 30 days after date of publication in the Federal Register, which was on October 4, 2018. Management has adopted these amendments and the changes are incorporated throughout all periods presented in the financial statements.

3. INVESTMENT VALUATION AND FAIR VALUE MEASUREMENTS

(a) Investment Valuation Policies The price of the Portfolio's shares is based on the Portfolio's NAV. The NAV of the Portfolio, or each of its share classes, as applicable, is determined by dividing the total value of portfolio investments and other assets, less any liabilities attributable to the Portfolio or class, by the total number of shares outstanding of the Portfolio or class.

On each day that the New York Stock Exchange ("NYSE") is open, Portfolio shares are ordinarily valued as of the close of regular trading ("NYSE Close"). Information that becomes known to the Portfolio or its agents after the time as of which NAV has been calculated on a particular day will not generally be used to retroactively adjust the price of a security or the NAV determined earlier that day. The Portfolio reserves the right to change the time as of which its NAV is calculated if the Portfolio closes earlier, or as permitted by the SEC.

For purposes of calculating a NAV, portfolio securities and other assets for which market quotes are readily available are valued at market value. Market value is generally determined on the basis of official closing prices or the last reported sales prices, or if no sales are reported, based on quotes obtained from established market makers or prices (including evaluated prices) supplied by the Portfolio's approved pricing services, quotation reporting systems and other third-party sources (together, "Pricing Services"). The Portfolio will normally use pricing data for domestic equity securities received shortly after the NYSE Close and does not normally take into account trading, clearances or settlements that take place after the NYSE Close. If market value pricing is used, a foreign (non-U.S.) equity security traded on a foreign exchange or on more than one exchange is typically valued using pricing information from the exchange considered by the Adviser to be the primary exchange. A foreign (non-U.S.) equity security will be valued as of the close of trading on the foreign exchange, or the NYSE Close, if the NYSE Close occurs before the end of trading on the foreign exchange. Domestic and foreign (non-U.S.) fixed income securities, non-exchange traded derivatives, and equity options are normally valued on the basis of quotes obtained from brokers and dealers or Pricing Services using data reflecting the earlier closing of the principal markets for those securities. Prices obtained from Pricing Services may be based on, among other things, information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics. Certain fixed income securities purchased on a delayed-delivery basis are marked to market daily until settlement at the forward settlement date. Exchange-traded options, except equity options, futures and options on futures are valued at the settlement price determined by the relevant exchange. Swap agreements are valued on the basis of bid quotes obtained from brokers and dealers or market-based prices supplied by Pricing Services. The Portfolio's investments in open-end management investment companies, other than exchange-traded funds ("ETFs"), are valued at the NAVs of such investments. Open-end management investment companies may include affiliated funds.

If a foreign (non-U.S.) equity security's value has materially changed after the close of the security's primary exchange or principal market but before the NYSE Close, the security may be valued at fair value based on procedures established and approved by the Board of Trustees of the Trust (the "Board"). Foreign (non-U.S.) equity securities that do not trade when the NYSE is open are also valued at fair value. With respect to foreign (non-U.S.) equity securities, the Portfolio may determine the fair value of investments based on information provided by Pricing Services and other third-party vendors, which may recommend fair value or adjustments with reference to other securities, indices or assets. In considering whether fair valuation is required and in determining fair values, the Portfolio may, among other things, consider significant events (which may be considered to include changes in the value of U.S. securities or securities indices) that occur after the close of the relevant market and before the NYSE Close. The Portfolio may utilize modeling tools provided by third-party vendors to determine fair values of foreign (non-U.S.) securities. For these purposes, any movement in the applicable reference index or instrument ("zero trigger") between the earlier close of the applicable foreign market and the NYSE Close may be deemed to be a significant event, prompting the application of the pricing model (effectively resulting in daily fair valuations). Foreign exchanges may permit trading in foreign (non-U.S.) equity securities on days when the Trust is not open for business, which may result in the Portfolio's portfolio investments being affected when shareholders are unable to buy or sell shares.

Senior secured floating rate loans for which an active secondary market exists to a reliable degree will be valued at the mean of the last available bid/ask prices in the market for such loans, as provided by a Pricing Service. Senior secured floating rate loans for which an active secondary market does not exist to a reliable degree will be valued at fair value, which is intended to approximate market value. In valuing a senior secured floating rate loan at fair value, the factors considered may include, but are not limited to, the following: (a) the creditworthiness of the borrower and any intermediate participants, (b) the terms of the loan, (c) recent prices in the market for similar loans, if any, and (d) recent prices in the market for instruments of similar quality, rate, period until next interest rate reset and maturity.

Investments valued in currencies other than the U.S. dollar are converted to the U.S. dollar using exchange rates obtained from Pricing Services. As a result, the value of such investments and, in turn, the NAV of the Portfolio's shares may be affected by changes in the value of currencies in relation to the U.S. dollar. The value of investments traded in markets outside the United States or denominated in currencies other than the U.S. dollar may be affected significantly on a day that the Trust is not open for business. As a result, to the extent that the Portfolio holds foreign (non-U.S.) investments, the value of those investments may change at times when shareholders are unable to buy or sell shares and the value of such investments will be reflected in the Portfolio's next calculated NAV.

Investments for which market quotes or market based valuations are not readily available are valued at fair value as determined in good faith by the Board or persons acting at their direction. The Board has adopted methods for valuing securities and other assets in circumstances where market quotes are not readily available, and has delegated to the Adviser the responsibility for applying the fair valuation methods. In the event that market quotes or market based valuations are not readily available, and the security or asset cannot be valued pursuant to a Board approved valuation method, the value of the security or asset will be determined in good faith by the Board. Market quotes are considered not readily available in circumstances where there is an absence of current or reliable market-based data (e.g., trade information, bid/ask information, indicative market quotations ("Broker Quotes"), Pricing Services' prices), including where events occur after the close of the relevant market, but prior to the NYSE Close, that materially affect the values of the Portfolio's securities or assets. In addition, market quotes are considered not readily available when, due to extraordinary circumstances, the exchanges or markets on which the securities trade do not open for trading for the entire day and no other market prices are available. The Board has delegated, to the Adviser, the responsibility for monitoring significant events that may materially affect the values of the Portfolio's securities or assets and for determining whether the value of the applicable securities or assets should be reevaluated in light of such significant events.

When the Portfolio uses fair valuation to determine the value of a portfolio security or other asset for purposes of calculating its NAV, such investments will not be priced on the basis of quotes from the primary market in which they are traded, but rather may be priced by another method that the Board or persons acting at their direction believe reflects fair value. Fair valuation may require subjective determinations about the value of a security. While the Trust's policy is intended to result in a calculation of the Portfolio's NAV that fairly reflects security values as of the time of pricing, the Trust cannot ensure that fair values determined by the Board or persons acting at their direction would accurately reflect the price that the Portfolio could obtain for a security if it were to dispose of that security as of the time of pricing (for instance, in a forced or distressed sale). The prices used by the Portfolio may differ from the value that would be realized if the securities were sold. The Portfolio's use of fair valuation may also help to deter "stale price arbitrage" as discussed under the "Frequent or Excessive Purchases, Exchanges and Redemptions" section in the Portfolio's prospectus.

(b) Fair Value Hierarchy U.S. GAAP describes fair value as the price that the Portfolio would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. It establishes a fair value hierarchy that prioritizes inputs to valuation methods and requires disclosure of the fair value hierarchy, separately for each major category of assets and liabilities, that segregates fair value measurements into levels (Level 1, 2, or 3). The inputs or methodology used for valuing securities are not necessarily an indication of the risks associated with investing in those securities. Levels 1, 2, and 3 of the fair value hierarchy are defined as follows:

- Level 1 — Quoted prices in active markets or exchanges for identical assets and liabilities.
- Level 2 — Significant other observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market corroborated inputs.
- Level 3 — Significant unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available, which may include assumptions made by the Board or persons acting at their direction that are used in determining the fair value of investments.

In accordance with the requirements of U.S. GAAP, the amounts of transfers into and out of Level 3, if material, are disclosed in the Notes to Schedule of Investments for the Portfolio.

For fair valuations using significant unobservable inputs, U.S. GAAP requires a reconciliation of the beginning to ending balances for reported fair values that presents changes attributable to realized gain (loss), unrealized appreciation (depreciation), purchases and sales, accrued discounts (premiums), and transfers into and out of the Level 3 category during the period. The end of period value is used for the transfers between Levels of the Portfolio's assets and liabilities. Additionally, U.S. GAAP requires quantitative information regarding the significant unobservable inputs used in the determination of fair value of assets or liabilities categorized as Level 3 in the fair value hierarchy. In accordance with the requirements of U.S. GAAP, a fair value hierarchy, and if material, a Level 3 reconciliation and details of significant unobservable inputs, have been included in the Notes to Schedule of Investments for the Portfolio.

(c) Valuation Techniques and the Fair Value Hierarchy

Level 1 and Level 2 trading assets and trading liabilities, at fair value The valuation methods (or "techniques") and significant inputs used in determining the fair values of portfolio securities or other assets and liabilities categorized as Level 1 and Level 2 of the fair value hierarchy are as follows:

Fixed income securities including corporate, convertible and municipal bonds and notes, U.S. government agencies, U.S. treasury obligations, sovereign issues, bank loans, convertible preferred securities and non-U.S. bonds are normally valued on the basis of quotes obtained from brokers and dealers or Pricing Services that use broker-dealer quotations, reported trades or valuation estimates from their internal pricing models. The Pricing Services' internal models use inputs that are observable such as issuer details, interest rates, yield curves, prepayment speeds, credit risks/spreads, default rates and quoted prices for similar assets. Securities that use similar valuation techniques and inputs as described above are categorized as Level 2 of the fair value hierarchy.

Fixed income securities purchased on a delayed-delivery basis or as a repurchase commitment in a sale-buyback transaction are marked to market daily until settlement at the forward settlement date and are categorized as Level 2 of the fair value hierarchy.

Mortgage-related and asset-backed securities are usually issued as separate tranches, or classes, of securities within each deal. These securities are also normally valued by Pricing Services that use broker-dealer quotations, reported trades or valuation estimates from their internal pricing models. The pricing models for these securities usually consider tranche-level attributes, current market data, estimated cash flows and market-based yield spreads for each tranche, and incorporate deal collateral performance, as available. Mortgage-related and asset-backed securities that use similar valuation techniques and inputs as described above are categorized as Level 2 of the fair value hierarchy.

Common stocks, ETFs, exchange-traded notes and financial derivative instruments, such as futures contracts, rights and warrants, or options on futures that are traded on a national securities exchange, are stated at the last reported sale or settlement price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized as Level 1 of the fair value hierarchy.

Valuation adjustments may be applied to certain securities that are solely traded on a foreign exchange to account for the market movement between the close of the foreign market and the NYSE Close. These securities are valued using Pricing Services that consider the correlation of the trading patterns of the foreign security to the intraday trading in the U.S. markets for investments. Securities using these valuation adjustments are categorized as Level 2 of the fair value hierarchy. Preferred securities and other equities traded on inactive markets or valued by reference to similar instruments are also categorized as Level 2 of the fair value hierarchy.

Investments in registered open-end investment companies (other than ETFs) will be valued based upon the NAVs of such investments and are categorized as Level 1 of the fair value hierarchy. Investments in unregistered open-end investment companies will be calculated based upon the NAVs of such investments and are considered Level 1 provided that the NAVs are observable, calculated daily and are the value at which both purchases and sales will be conducted.

Equity exchange-traded options and over the counter financial derivative instruments, such as forward foreign currency contracts and options contracts derive their value from underlying asset prices, indices, reference rates, and other inputs or a combination of these factors. These contracts are normally valued on the basis of quotes obtained from a quotation reporting system, established market makers or Pricing Services (normally determined as of the NYSE Close). Depending on the product and the terms of the transaction, financial derivative instruments can be valued by Pricing Services using a series of techniques, including simulation pricing models. The pricing models use inputs that are observed from actively quoted markets such as quoted prices, issuer details, indices, bid/ask spreads, interest rates, implied volatilities, yield curves, dividends and exchange rates. Financial derivative instruments that use similar valuation techniques and inputs as described above are categorized as Level 2 of the fair value hierarchy.

Centrally cleared swaps and over the counter swaps derive their value from underlying asset prices, indices, reference rates, and other inputs or a combination of these factors. They are valued using a broker-dealer bid quotation or on market-based prices provided by Pricing Services (normally determined as of the NYSE close). Centrally cleared

swaps and over the counter swaps can be valued by Pricing Services using a series of techniques, including simulation pricing models. The pricing models may use inputs that are observed from actively quoted markets such as the overnight index swap rate ("OIS"), London Interbank Offered Rate ("LIBOR") forward rate, interest rates, yield curves and credit spreads. These securities are categorized as Level 2 of the fair value hierarchy.

Level 3 trading assets and trading liabilities, at fair value When a fair valuation method is applied by the Adviser that uses significant unobservable inputs, investments will be priced by a method that the Board or persons acting at their direction believe reflects fair value and are categorized as Level 3 of the fair value hierarchy.

Short-term debt instruments (such as commercial paper) having a remaining maturity of 60 days or less may be valued at amortized cost, so long as the amortized cost value of such short-term debt instruments is approximately the same as the fair value of the instrument as determined without the use of amortized cost valuation. These securities are categorized as Level 2 or Level 3 of the fair value hierarchy depending on the source of the base price.

4. SECURITIES AND OTHER INVESTMENTS

(a) Investments in Affiliates

The Portfolio may invest in the PIMCO Short Asset Portfolio and the PIMCO Short-Term Floating NAV Portfolio III ("Central Funds") to the extent permitted by the Act and rules thereunder. The Central Funds are registered investment companies created for use solely by the series of the Trust and other series of registered investment companies advised by the Adviser, in connection with their cash management activities. The main investments of the Central Funds are money market and short maturity fixed income instruments. The Central Funds may incur expenses related to their investment activities, but do not pay Investment Advisory Fees or Supervisory and Administrative Fees to the Adviser. The Central Funds are considered to be affiliated with the Portfolio. The tables below show the Portfolio's transactions in and earnings from investments in the affiliated Funds for the period ended December 31, 2018 (amounts in thousands†):

Investment in PIMCO Short Asset Portfolio

Market Value 12/31/2017	Purchases at Cost	Proceeds from Sales	Net Realized Gain (Loss)	Change in Unrealized Appreciation (Depreciation)	Market Value 12/31/2018	Dividend Income(1)	Realized Net Capital Gain Distributions(1)
$ 220,408	$ 155,622	$ 0	$ 0	$ (3,329)	$ 372,701	$ 9,692	$ 430

Investment in PIMCO Short-Term Floating NAV Portfolio III

Market Value 12/31/2017	Purchases at Cost	Proceeds from Sales	Net Realized Gain (Loss)	Change in Unrealized Appreciation (Depreciation)	Market Value 12/31/2018	Dividend Income(1)	Realized Net Capital Gain Distributions(1)
$ 26,612	$ 3,004,385	$ (2,888,800)	$ 176	$ 18	$ 142,391	$ 4,786	$ 0

† A zero balance may reflect actual amounts rounding to less than one thousand.

(1) The tax characterization of distributions is determined in accordance with Federal income tax regulations and may contain a return of capital. The actual tax characterization of distributions received is determined at the end of the fiscal year of the affiliated fund. See Note 2, Distributions to Shareholders, in the Notes to Financial Statements for more information.

(b) Investments in Securities

The Portfolio may utilize the investments and strategies described below to the extent permitted by the Portfolio's investment policies.

Inflation-Indexed Bonds are fixed income securities whose principal value is periodically adjusted by the rate of inflation. The interest rate on these bonds is generally fixed at issuance at a rate lower than typical bonds. Over the life of an inflation-indexed bond, however, interest will be paid based on a principal value which is adjusted for inflation. Any increase or decrease in the principal amount of an inflation-indexed bond will be included as interest income on the Statement of Operations, even though investors do not receive their principal until maturity. Repayment of the original bond principal upon maturity (as adjusted for inflation) is guaranteed in the case of U.S. Treasury Inflation-Protected Securities ("TIPS"). For bonds that do not provide a similar guarantee, the adjusted principal value of the bond repaid at maturity may be less than the original principal.

Loans and Other Indebtedness, Loan Participations and Assignments are direct debt instruments which are interests in amounts owed to lenders or lending syndicates by corporate, governmental, or other borrowers. The Portfolio's investments in loans may be in the form of participations in loans or assignments of all or a portion of loans from third parties or investments in or originations of loans by the Portfolio. A loan is often administered by a bank or other financial institution (the "agent") that acts as agent for all holders. The agent administers the terms of the loan, as specified in the loan agreement. The Portfolio may invest in multiple series or tranches of a loan, which may have varying terms and carry different associated risks. When the Portfolio purchases assignments from agents it acquires direct rights against the borrowers of the loans. These loans may include participations in bridge loans, which are loans taken out by borrowers for a short period (typically less than one year) pending arrangement of more permanent financing through, for example, the issuance of bonds, frequently high yield bonds issued for the purpose of acquisitions.

The types of loans and related investments in which the Portfolio may invest include, among others, senior loans, subordinated loans (including second lien loans, B-Notes and mezzanine loans), whole loans, commercial real estate and other commercial loans and structured loans. The Portfolio may originate loans or acquire direct interests in loans through primary loan distributions and/or in private transactions. In the case of subordinated loans, there may be significant indebtedness ranking ahead of the borrower's obligation to the holder of such a loan, including in the event of the borrower's insolvency. Mezzanine loans are typically secured by a pledge of an equity interest in the mortgage borrower that owns the real estate rather than an interest in a mortgage.

Investments in loans may include unfunded loan commitments, which are contractual obligations for funding. Unfunded loan commitments may include revolving credit facilities, which may obligate the Portfolio to supply additional cash to the borrower on demand. Unfunded loan commitments represent a future obligation in full, even though a percentage of the committed amount may not be utilized by the borrower. When investing in a loan participation, the Portfolio has the right to receive payments of principal, interest and any fees to which it is entitled only from the agent selling the loan agreement and only upon receipt of payments by the agent from the borrower. The Portfolio may receive a commitment fee based on the undrawn portion of the underlying line of credit portion of a loan. In certain circumstances, the Portfolio may receive a penalty fee upon the prepayment of a loan by a borrower. Fees earned or paid are recorded as a component of interest income or interest expense, respectively, on the Statement of Operations. Unfunded loan commitments are reflected as a liability on the Statement of Assets and Liabilities.

Mortgage-Related and Other Asset-Backed Securities directly or indirectly represent a participation in, or are secured by and payable from, loans on real property. Mortgage-related securities are created from pools of residential or commercial mortgage loans, including mortgage loans made by savings and loan institutions, mortgage bankers, commercial banks and others. These securities provide a monthly payment which consists of both interest and principal. Interest may be determined by fixed or adjustable rates. The rate of prepayments on underlying mortgages will affect the price and volatility of a mortgage-related security, and may have the effect of shortening or extending the effective duration of the security relative to what was anticipated at the time of purchase. The timely payment of principal and interest of certain mortgage-related securities is guaranteed with the full faith and credit of the U.S. Government. Pools created and guaranteed by non-governmental issuers, including government-sponsored corporations, may be supported by various forms of insurance or guarantees, but there can be no assurance that private insurers or guarantors can meet their obligations under the insurance policies or guarantee arrangements. Many of the risks of investing in mortgage-related securities secured by commercial mortgage loans reflect the effects of local and other economic conditions on real estate markets, the ability of tenants to make lease payments, and the ability of a property to attract and retain tenants. These securities may be less liquid and may exhibit greater price volatility than other types of mortgage-related or other asset-backed securities. Other asset-backed securities are created from many types of assets, including, but not limited to, auto loans, accounts receivable, such as credit card receivables and hospital account receivables, home equity loans, student loans, boat loans, mobile home loans, recreational vehicle loans, manufactured housing loans, aircraft leases, computer leases and syndicated bank loans.

Collateralized Debt Obligations ("CDOs") include Collateralized Bond Obligations ("CBOs"), Collateralized Loan Obligations ("CLOs") and other similarly structured securities. CBOs and CLOs are types of asset-backed securities. A CBO is a trust which is backed by a diversified pool of high risk, below investment grade fixed income securities. A CLO is a trust typically collateralized by a pool of loans, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans, and subordinate corporate loans, including loans that may be rated below investment grade or equivalent unrated loans. The risks of an investment in a CDO depend largely on the type of the collateral securities and the class of the CDO in which the Portfolio invests. In addition to the normal risks associated with fixed income securities discussed elsewhere in this report and the Portfolio's prospectus and statement of additional information (e.g., prepayment risk, credit risk, liquidity risk, market risk, structural risk, legal risk and interest rate risk (which may be exacerbated if the interest rate payable on a structured financing changes based on multiples of changes in interest rates or inversely to changes in interest rates)), CBOs, CLOs and other CDOs carry additional risks including, but not limited to, (i) the possibility that distributions from collateral securities will not be adequate to make interest or other payments, (ii) the quality of the collateral may decline in value or default, (iii) the risk that the Portfolio may invest in CBOs, CLOs, or other CDOs that are subordinate to other classes, and (iv) the complex structure of the security may not be fully understood at the time of investment and may produce disputes with the issuer or unexpected investment results.

Collateralized Mortgage Obligations ("CMOs") are debt obligations of a legal entity that are collateralized by whole mortgage loans or private mortgage bonds and divided into classes. CMOs are structured into multiple classes, often referred to as "tranches", with each class bearing a different stated maturity and entitled to a different schedule for payments of principal and interest, including prepayments. CMOs may be less liquid and may exhibit greater price volatility than other types of mortgage-related or asset-backed securities.

Stripped Mortgage-Backed Securities ("SMBS") are derivative multi-class mortgage securities. SMBS are usually structured with two classes that receive different proportions of the interest and principal distributions on a pool of mortgage assets. An SMBS will have one class that will receive all of the interest (the interest-only or "IO" class), while the other class will receive the entire principal (the principal-only or "PO" class). Payments received for IOs are included in interest income on the Statement of Operations. Because no principal will be received at the maturity of an IO, adjustments are made to the cost of the security on a monthly basis until maturity. These adjustments are included in interest income on the Statement of Operations. Payments received for POs are treated as reductions to the cost and par value of the securities.

Payment In-Kind Securities ("PIKs") may give the issuer the option at each interest payment date of making interest payments in either cash and/or additional debt securities. Those additional debt securities usually have the same terms, including maturity dates and interest rates, and associated risks as the original bonds. The daily market quotations of the original bonds may include the accrued interest (referred to as a dirty price) and require a pro rata adjustment from the unrealized appreciation (depreciation) on investments to interest receivable on the Statement of Assets and Liabilities.

Perpetual Bonds are fixed income securities with no maturity date but pay a coupon in perpetuity (with no specified ending or maturity date). Unlike typical fixed income securities, there is no obligation for perpetual bonds to repay principal. The coupon payments, however, are mandatory. While perpetual bonds have no maturity date, they may have a callable date in which the perpetuity is eliminated and the issuer may return the principal received on the specified call date. Additionally, a perpetual bond may have additional features, such as interest rate increases at periodic dates or an increase as of a predetermined point in the future.

Restricted Investments are subject to legal or contractual restrictions on resale and may generally be sold privately, but may be required to be registered or exempted from such registration before being sold to the public. Private placement securities are generally considered to be restricted except for those securities traded between qualified institutional investors under the provisions of Rule 144A of the Securities Act of 1933. Disposal of restricted investments may involve time-consuming negotiations and expenses, and prompt sale at an acceptable price may be difficult to achieve. Restricted investments held by the Portfolio at December 31, 2018 are disclosed in the Notes to Schedule of Investments.

Securities Issued by U.S. Government Agencies or Government-Sponsored Enterprises are obligations of and, in certain cases, guaranteed by, the U.S. Government, its agencies or instrumentalities. Some U.S. Government securities, such as Treasury bills, notes and bonds, and securities guaranteed by the Government National Mortgage Association ("GNMA" or "Ginnie Mae"), are supported by the full faith and credit of the U.S. Government; others, such as those of the Federal Home Loan Banks, are supported by the right of the issuer to borrow from the U.S. Department of the Treasury (the "U.S. Treasury"); and others, such as those of the Federal National Mortgage Association ("FNMA" or "Fannie Mae"), are supported by the discretionary authority of the U.S. Government to purchase the agency's obligations. U.S. Government securities may include zero coupon securities. Zero coupon securities do not distribute interest on a current basis and tend to be subject to a greater risk than interest-paying securities.

Government-related guarantors (i.e., not backed by the full faith and credit of the U.S. Government) include FNMA and the Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac"). FNMA is a government-sponsored corporation. FNMA purchases conventional (i.e., not insured or guaranteed by any government agency) residential mortgages from a list of approved seller/servicers which include state and federally chartered savings and loan associations, mutual savings banks, commercial banks and credit unions and mortgage bankers. Pass-through securities issued by FNMA are guaranteed as to timely payment of principal and interest by FNMA, but are not backed by the full faith and credit of the U.S. Government. FHLMC issues Participation Certificates ("PCs"), which are pass-through securities, each representing an undivided interest in a pool of residential mortgages. FHLMC guarantees the timely payment of interest and ultimate collection of principal, but PCs are not backed by the full faith and credit of the U.S. Government.

Roll-timing strategies can be used where the Portfolio seeks to extend the expiration or maturity of a position, such as a TBA security on an underlying asset, by closing out the position before expiration and opening a new position with respect to substantially the same underlying asset with a later expiration date. TBA securities purchased or sold are reflected on the Statement of Assets and Liabilities as an asset or liability, respectively.

When-Issued Transactions are purchases or sales made on a when-issued basis. These transactions are made conditionally because a security, although authorized, has not yet been issued in the market. Transactions to purchase or sell securities on a when-issued basis involve a commitment by the Portfolio to purchase or sell these securities for a predetermined price or yield, with payment and delivery taking place beyond the customary settlement period. The Portfolio may sell when-issued securities before they are delivered, which may result in a realized gain (loss).

5. BORROWINGS AND OTHER FINANCING TRANSACTIONS

The Portfolio may enter into the borrowings and other financing transactions described below to the extent permitted by the Portfolio's investment policies.

The following disclosures contain information on the Portfolio's ability to lend or borrow cash or securities to the extent permitted under the Act, which may be viewed as borrowing or financing transactions by the Portfolio. The location of these instruments in the Portfolio's financial statements is described below.

(a) Repurchase Agreements Under the terms of a typical repurchase agreement, the Portfolio purchases an underlying debt obligation (collateral) subject to an obligation of the seller to repurchase, and the Portfolio to resell, the obligation at an agreed-upon price and time. In an open maturity repurchase agreement, there is no pre-determined repurchase date and the agreement can be terminated by the Portfolio or counterparty at any time. The underlying securities for all repurchase agreements are held by the Portfolio's custodian or designated subcustodians under tri-party repurchase agreements and in certain instances will remain in custody with the counterparty. The market value of the collateral must be equal to or exceed the total amount of the repurchase obligations, including interest. Repurchase agreements, if any, including accrued interest, are included on the Statement of Assets and Liabilities. Interest earned is recorded as a component of interest income on the Statement of Operations. In periods of increased demand for collateral, the Portfolio may pay a fee for the receipt of collateral, which may result in interest expense to the Portfolio.

(b) Reverse Repurchase Agreements In a reverse repurchase agreement, the Portfolio delivers a security in exchange for cash to a financial institution, the counterparty, with a simultaneous agreement to repurchase the same or substantially the same security at an agreed upon price and date. In an open maturity reverse repurchase agreement, there is no pre-determined repurchase date and the agreement can be terminated by the Portfolio or counterparty at any time. The Portfolio is entitled to receive principal and interest payments, if any, made on the security delivered to the counterparty during the term of the agreement. Cash received in exchange for securities delivered plus accrued interest payments to be made by the Portfolio to counterparties are reflected as a liability on the Statement of Assets and Liabilities. Interest payments made by the Portfolio to counterparties are recorded as a component of interest expense on the Statement of Operations. In periods of increased demand for the security, the Portfolio may receive a fee for use of the security by the counterparty, which may result in interest income to the Portfolio. The Portfolio will segregate assets determined to be liquid by the Adviser or will otherwise cover its obligations under reverse repurchase agreements.

(c) Sale-Buybacks A sale-buyback financing transaction consists of a sale of a security by the Portfolio to a financial institution, the counterparty, with a simultaneous agreement to repurchase the same or substantially the same security at an agreed-upon price and date. The Portfolio is not entitled to receive principal and interest payments, if any, made on the security sold to the counterparty during the term of the agreement. The agreed-upon proceeds for securities to be repurchased by the Portfolio are reflected as a liability on the Statement of Assets and Liabilities. The Portfolio will recognize net income represented by the price differential between the price received for the transferred security and the agreed-upon repurchase price. This is commonly referred to as the 'price drop'. A price drop consists of (i) the foregone interest and inflationary income adjustments, if any, the Portfolio would have otherwise received had the security not been sold and (ii) the negotiated financing terms between the Portfolio and counterparty. Foregone interest and inflationary income adjustments, if any, are recorded as components of interest income on the Statement of Operations. Interest payments based upon negotiated financing terms made by the Portfolio to counterparties are recorded as a component of interest expense on the Statement of Operations. In periods of increased demand for the security, the Portfolio may receive a fee for use of the security by the counterparty, which may result in interest income to the Portfolio. The Portfolio will segregate assets determined to be liquid by the Adviser or will otherwise cover its obligations under sale-buyback transactions.

(d) Short Sales Short sales are transactions in which the Portfolio sells a security that it may not own. The Portfolio may make short sales of securities to (i) offset potential declines in long positions in similar securities, (ii) to increase the flexibility of the Portfolio, (iii) for investment return, (iv) as part of a risk arbitrage strategy, and (v) as part of its overall portfolio management strategies involving the use of derivative instruments. When the Portfolio engages in a short sale, it may borrow the security sold short and deliver it to the counterparty. The Portfolio will ordinarily have to pay a fee or premium to borrow a security and be obligated to repay the lender of the security any dividend or interest that accrues on the security during the period of the loan. Securities sold in short sale transactions and the dividend or interest payable on such securities, if any, are reflected as payable for short sales on the Statement of Assets and Liabilities. Short sales expose the Portfolio to the risk that it will be required to cover its short position at a time when the security or other asset has appreciated in value, thus resulting in losses to the Portfolio. A short sale is "against the box" if the Portfolio holds in its portfolio or has the right to acquire the security sold short, or securities identical to the security sold short, at no additional cost. The Portfolio will be subject to additional risks to the extent that it engages in short sales that are not "against the box." The Portfolio's loss on a short sale could theoretically be unlimited in cases where the Portfolio is unable, for whatever reason, to close out its short position.

6. FINANCIAL DERIVATIVE INSTRUMENTS

The Portfolio may enter into the financial derivative instruments described below to the extent permitted by the Portfolio's investment policies.

The following disclosures contain information on how and why the Portfolio uses financial derivative instruments, and how financial derivative instruments affect the Portfolio's financial position, results of operations and cash flows. The location and fair value amounts of these instruments on the Statement of Assets and Liabilities and the net realized gain (loss) and net change in unrealized appreciation (depreciation) on the Statement of Operations, each categorized by type of financial derivative contract and related risk exposure, are included in a table in the Notes to Schedule of Investments. The financial derivative instruments outstanding as of period end and the amounts of net realized gain (loss) and net change in unrealized appreciation (depreciation) on financial derivative instruments during the period, as disclosed in the Notes to Schedule of Investments, serve as indicators of the volume of financial derivative activity for the Portfolio.

(a) Forward Foreign Currency Contracts may be engaged, in connection with settling planned purchases or sales of securities, to hedge the currency exposure associated with some or all of the Portfolio's securities or as part of an investment strategy. A forward foreign currency contract is an agreement between two parties to buy and sell a currency at a set price on a future date. The market value of a forward foreign currency contract fluctuates with changes in foreign currency exchange rates. Forward foreign currency contracts are marked to market daily, and the change in value is recorded by the Portfolio as an unrealized gain (loss). Realized gains (losses) are equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed and are recorded upon delivery or receipt of the currency. These contracts may involve market risk in excess of the unrealized gain (loss) reflected on the Statement of Assets and Liabilities. In addition, the Portfolio could be exposed to risk if the counterparties are unable to meet the terms of the contracts or if the value of the currency changes unfavorably to the U.S. dollar. To mitigate such risk, cash or securities may be exchanged as collateral pursuant to the terms of the underlying contracts.

(b) Futures Contracts are agreements to buy or sell a security or other asset for a set price on a future date. The Portfolio may use futures contracts to manage its exposure to the securities markets or to movements in interest rates and currency values. The primary risks associated with the use of futures contracts are the imperfect correlation between the change in market value of the securities held by the Portfolio and the prices of futures contracts and the possibility of an illiquid market. Futures contracts are valued based upon their quoted daily settlement prices. Upon entering into a futures contract, the Portfolio is required to deposit with its futures broker an amount of cash, U.S. Government and Agency Obligations, or select sovereign debt, in accordance with the initial margin requirements of the broker or exchange. Futures contracts are marked to market daily and based on such movements in the price of the contracts, an appropriate payable or receivable for the change in value may be posted or collected by the Portfolio ("Futures Variation Margin"). Gains (losses) are recognized but not considered realized until the contracts expire or close. Futures contracts involve, to varying degrees, risk of loss in excess of the Futures Variation Margin included within exchange traded or centrally cleared financial derivative instruments on the Statement of Assets and Liabilities.

(c) Options Contracts may be written or purchased to enhance returns or to hedge an existing position or future investment. The Portfolio may write call and put options on securities and financial derivative instruments it owns or in which it may invest. Writing put options tends to increase the Portfolio's exposure to the underlying instrument. Writing call options tends to decrease the Portfolio's exposure to the underlying instrument. When the Portfolio writes a call or put, an amount equal to the premium received is recorded and subsequently marked to market to reflect the current value of the option written. These amounts are included on the Statement of Assets and Liabilities. Premiums received from writing options which expire are treated as realized gains. Premiums received from writing options which are exercised or closed are added to the proceeds or offset against amounts paid on the underlying futures, swap, security or currency transaction to determine the realized gain (loss). Certain options may be written with premiums to be determined on a future date. The premiums for these options are based upon implied volatility parameters at specified terms. The Portfolio as a writer of an option has no control over whether the underlying instrument may be sold ("call") or purchased ("put") and as a result bears the market risk of an unfavorable change in the price of the instrument underlying the written option. There is the risk the Portfolio may not be able to enter into a closing transaction because of an illiquid market.

Purchasing call options tends to increase the Portfolio's exposure to the underlying instrument. Purchasing put options tends to decrease the Portfolio's exposure to the underlying instrument. The Portfolio pays a premium which is included as an asset on the Statement of Assets and Liabilities and subsequently marked to market to reflect the current value of the option. Premiums paid for purchasing options which expire are treated as realized losses. Certain options may be purchased with premiums to be determined on a future date. The premiums for these options are based upon implied volatility parameters at specified terms. The risk associated with purchasing put and call options is limited to the premium paid. Premiums paid for purchasing options which are exercised or closed are added to the amounts paid or offset against the proceeds on the underlying investment transaction to determine the realized gain (loss) when the underlying transaction is executed.

Credit Default Swaptions may be written or purchased to hedge exposure to the credit risk of an investment without making a commitment to the underlying instrument. A credit default swaption is an option to sell or buy credit protection on a specific reference by entering into a pre-defined swap agreement by some specified date in the future.

Foreign Currency Options may be written or purchased to be used as a short or long hedge against possible variations in foreign exchange rates or to gain exposure to foreign currencies.

Inflation-Capped Options may be written or purchased to enhance returns or for hedging opportunities. The purpose of purchasing inflation-capped options is to protect the Portfolio from inflation erosion above a certain rate on a given notional exposure. A floor can be used to give downside protection to investments in inflation-linked products.

Interest Rate Swaptions may be written or purchased to enter into a pre-defined swap agreement or to shorten, extend, cancel or otherwise modify an existing swap agreement, by some specified date in the future. The writer of the swaption becomes the counterparty to the swap if the buyer exercises. The interest rate swaption agreement will specify whether the buyer of the swaption will be a fixed-rate receiver or a fixed-rate payer upon exercise.

Options on Exchange-Traded Futures Contracts ("Futures Option") may be written or purchased to hedge an existing position or future investment, for speculative purposes or to manage exposure to market movements. A Futures Option is an option contract in which the underlying instrument is a single futures contract.

Options on Securities may be written or purchased to enhance returns or to hedge an existing position or future investment. An option on a security uses a specified security as the underlying instrument for the option contract.

(d) Swap Agreements are bilaterally negotiated agreements between the Portfolio and a counterparty to exchange or swap investment cash flows, assets, foreign currencies or market-linked returns at specified, future intervals. Swap agreements may be privately negotiated in the over the counter market ("OTC swaps") or may be cleared through a third party, known as a central counterparty or derivatives clearing organization ("Centrally Cleared Swaps"). The Portfolio may enter into asset, credit default, cross-currency, interest rate, total return, variance and other forms of swap agreements to manage its exposure to credit, currency, interest rate, commodity, equity and inflation risk. In connection with these agreements, securities or cash may be identified as collateral or margin in accordance with the terms of the respective swap agreements to provide assets of value and recourse in the event of default or bankruptcy/insolvency.

Centrally Cleared Swaps are marked to market daily based upon valuations as determined from the underlying contract or in accordance with the requirements of the central counterparty or derivatives clearing organization. Changes in market value, if any, are reflected as a component of net change in unrealized appreciation (depreciation) on the Statement of Operations. Daily changes in valuation of centrally cleared swaps ("Swap Variation Margin"), if any, are disclosed within centrally cleared financial derivative instruments on the Statement of Assets and Liabilities. Centrally Cleared and OTC swap payments received or paid at the beginning of the measurement period are included on the Statement of Assets and Liabilities and represent premiums paid or received upon entering into the swap agreement to compensate for differences between the stated terms of the swap agreement and prevailing market conditions (credit spreads, currency exchange rates, interest rates, and other relevant factors). Upfront premiums received (paid) are initially recorded as liabilities (assets) and subsequently marked to market to reflect the current value of the swap. These upfront premiums are recorded as realized gain (loss) on the Statement of Operations upon termination or maturity of the swap. A liquidation payment received or made at the termination of the swap is recorded as realized gain (loss) on the Statement of Operations. Net periodic payments received or paid by the Portfolio are included as part of realized gain (loss) on the Statement of Operations.

For purposes of applying certain of the Portfolio's investment policies and restrictions, swap agreements, like other derivative instruments, may be valued by the Portfolio at market value, notional value or full exposure value. In the case of a credit default swap, in applying certain of the Portfolio's investment policies and restrictions, the Portfolio will value the credit default swap at its notional value or its full exposure value (*i.e.*, the sum of the notional amount for the contract plus the market value), but may value the credit default swap at market value for purposes of applying certain of the Portfolio's other investment policies and restrictions. For example, the Portfolio may value credit default swaps at full exposure value for purposes of the Portfolio's credit quality guidelines (if any) because such value in general better reflects the Portfolio's actual economic exposure during the term of the credit default swap agreement. As a result, the Portfolio may, at times, have notional exposure to an asset class (before netting) that is greater or lesser than the stated limit or restriction noted in the Portfolio's prospectus. In this context, both the notional amount and the market value may be positive or negative depending on whether the Portfolio is selling or buying protection through the credit default swap. The manner in which certain securities or other instruments are valued by the Portfolio for purposes of applying investment policies and restrictions may differ from the manner in which those investments are valued by other types of investors.

Entering into swap agreements involves, to varying degrees, elements of interest, credit, market and documentation risk in excess of the amounts recognized on the Statement of Assets and Liabilities. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to the agreements may default on its obligation to perform or disagree as to the meaning of contractual terms in the agreements and that there may be unfavorable changes in interest rates or the values of the asset upon which the swap is based.

The Portfolio's maximum risk of loss from counterparty credit risk is the discounted net value of the cash flows to be received from the counterparty over the contract's remaining life, to the extent that amount is positive. The risk may be mitigated by having a master netting arrangement between the Portfolio and the counterparty and by the posting of collateral to the Portfolio to cover the Portfolio's exposure to the counterparty.

To the extent the Portfolio has a policy to limit the net amount owed to or to be received from a single counterparty under existing swap agreements, such limitation only applies to counterparties to OTC swaps and does not apply to centrally cleared swaps where the counterparty is a central counterparty or derivatives clearing organization.

Credit Default Swap Agreements on corporate, loan, sovereign, U.S. municipal or U.S. Treasury issues are entered into to provide a measure of protection against defaults of the issuers (*i.e.*, to reduce risk where the Portfolio owns or has exposure to the referenced obligation) or to take an active long or short position with respect to the likelihood of a particular issuer's default. Credit default swap agreements involve one party making a stream of payments (referred to as the buyer of protection) to another party (the seller of protection) in exchange for the right to receive a specified return in the event that the referenced entity, obligation or index, as specified in the swap agreement, undergoes a certain credit event. As a seller of protection on credit default swap agreements, the Portfolio will generally receive from the buyer of protection a fixed rate of income throughout the term of the swap provided that there is no credit event. As the seller, the Portfolio would effectively add leverage to its portfolio because, in addition to its total net assets, the Portfolio would be subject to investment exposure on the notional amount of the swap.

If the Portfolio is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Portfolio will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation, other deliverable obligations or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index. If the Portfolio is a buyer of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Portfolio will either (i) receive from the seller of protection an amount equal to the notional amount of the swap and deliver the referenced obligation, other deliverable obligations or underlying securities comprising the referenced index or (ii) receive a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index. Recovery values are estimated by market makers considering either industry standard recovery rates or entity specific factors and considerations until a credit event occurs. If a credit event has occurred, the recovery value is determined by a facilitated auction whereby a minimum number of allowable broker bids, together with a specified valuation method, are used to calculate the settlement value. The ability to deliver other obligations may result in a cheapest-to-deliver option (the buyer of protection's right to choose the deliverable obligation with the lowest value following a credit event).

Credit default swap agreements on credit indices involve one party making a stream of payments to another party in exchange for the right to receive a specified return in the event of a write-down, principal shortfall, interest shortfall or default of all or part of the referenced entities comprising the credit index. A credit index is a basket of credit instruments or exposures designed to be representative of some part of the credit market as a whole. These indices are made up of reference credits that are judged by a poll of dealers to be the most liquid entities in the credit default swap market based on the sector of the index. Components of the indices may include, but are not limited to, investment grade securities, high yield securities, asset-backed securities, emerging markets, and/or various credit ratings within each sector. Credit indices are traded using credit default swaps with standardized terms including a fixed spread and standard maturity dates. An index credit default swap references all the names in the index, and if there is a default, the credit event is settled based on that name's weight in the index. The composition of the indices changes periodically, usually every six months, and for most indices, each name has an equal weight in the index. The Portfolio may use credit default swaps on credit indices to hedge a portfolio of credit default swaps or bonds, which is less expensive than it would be to buy many credit default swaps to achieve a similar effect. Credit default swaps on indices are instruments for protecting investors owning bonds against default, and traders use them to speculate on changes in credit quality.

Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements on corporate, loan, sovereign, U.S. municipal or U.S. Treasury issues as of period end, if any, are disclosed in the Notes to Schedule of Investments. They serve as an indicator of the current status of payment/performance risk and represent the likelihood or risk of default for the reference entity. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement. For credit default swap agreements on asset-backed securities and credit indices, the quoted market prices and resulting values serve as the indicator of the current status of the payment/performance risk. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

The maximum potential amount of future payments (undiscounted) that the Portfolio as a seller of protection could be required to make under a credit default swap agreement equals the notional amount of the agreement. Notional amounts of each individual credit default swap agreement outstanding as of period end for which the Portfolio is the seller of protection are disclosed in the Notes to Schedule of Investments. These potential amounts would be partially offset by any recovery values of the respective referenced obligations, upfront payments received upon entering into the agreement, or net amounts received from the settlement of buy protection credit default swap agreements entered into by the Portfolio for the same referenced entity or entities.

Interest Rate Swap Agreements may be entered into to help hedge against interest rate risk exposure and to maintain the Portfolio's ability to generate income at prevailing market rates. The value of the fixed rate bonds that the Portfolio holds may decrease if interest rates rise. To help hedge against this risk and to maintain its ability to generate income at prevailing market rates, the Portfolio may enter into interest rate swap agreements. Interest rate swap agreements involve the exchange by the Portfolio with another party for their respective commitment to pay or receive interest on the notional amount of principal. Certain forms of interest rate swap agreements may include: (i) interest rate caps, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates exceed a specified rate, or "cap", (ii) interest rate floors, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates fall below a specified rate, or "floor", (iii) interest rate collars, under which a party sells a cap and purchases a floor or vice versa in an attempt to protect itself against interest rate movements exceeding given minimum or maximum levels, (iv) callable interest rate swaps, under which the buyer pays an upfront fee in consideration for the right to early terminate the swap transaction in whole, at zero cost and at a predetermined date and time prior to the maturity date, (v) spreadlocks, which allow the interest rate swap users to lock in the forward differential (or spread) between the interest rate swap rate and a specified benchmark, or (vi) basis swaps, under which two parties can exchange variable interest rates based on different segments of money markets.

7. PRINCIPAL RISKS

The principal risks of investing in the Portfolio, which could adversely affect its net asset value, yield and total return, are listed below. Please see "Description of Principal Risks" in the Portfolio's prospectus for a more detailed description of the risks of investing in the Portfolio.

Interest Rate Risk is the risk that fixed income securities will decline in value because of an increase in interest rates; a portfolio with a longer average portfolio duration will be more sensitive to changes in interest rates than a portfolio with a shorter average portfolio duration.

Call Risk is the risk that an issuer may exercise its right to redeem a fixed income security earlier than expected (a call). Issuers may call outstanding securities prior to their maturity for a number of reasons (*e.g.,* declining interest rates, changes in credit spreads and improvements in the issuer's credit quality). If an issuer calls a security that the Portfolio has invested in, the Portfolio may not recoup the full amount of its initial investment and may be forced to reinvest in lower-yielding securities, securities with greater credit risks or securities with other, less favorable features.

Credit Risk is the risk that the Portfolio could lose money if the issuer or guarantor of a fixed income security, or the counterparty to a derivative contract, is unable or unwilling to meet its financial obligations.

High Yield Risk is the risk that high yield securities and unrated securities of similar credit quality (commonly known as "junk bonds") are subject to greater levels of credit, call and liquidity risks. High yield securities are considered primarily speculative with respect to the issuer's continuing ability to make principal and interest payments, and may be more volatile than higher-rated securities of similar maturity.

Market Risk is the risk that the value of securities owned by the Portfolio may go up or down, sometimes rapidly or unpredictably, due to factors affecting securities markets generally or particular industries.

Issuer Risk is the risk that the value of a security may decline for a reason directly related to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods or services.

Liquidity Risk is the risk that a particular investment may be difficult to purchase or sell and that the Portfolio may be unable to sell illiquid securities at an advantageous time or price or achieve its desired level of exposure to a certain sector. Liquidity risk may result from the lack of an active market, reduced number and capacity of traditional market participants to make a market in fixed income securities, and may be magnified in a rising interest rate environment or other circumstances where investor redemptions from fixed income mutual funds may be higher than normal, causing increased supply in the market due to selling activity.

Derivatives Risk is the risk of investing in derivative instruments (such as futures, swaps and structured securities), including leverage, liquidity, interest rate, market, credit and management risks, mispricing or valuation complexity. Changes in the value of the derivative may not correlate perfectly with, and may be more sensitive to market events than, the underlying asset, rate or index, and the Portfolio could lose more than the initial amount invested. The Portfolio's use of derivatives may result in losses to the Portfolio, a reduction in the Portfolio's returns and/or increased volatility. Over-the-counter ("OTC") derivatives are also subject to the risk that a counterparty to the transaction will not fulfill its contractual obligations to the other party, as many of the protections afforded to centrally-cleared derivative transactions might not be available for OTC derivatives. For derivatives traded on an exchange or through a central counterparty, credit risk resides with the Portfolio's clearing broker, or the clearinghouse itself, rather than with a counterparty in an OTC derivative transaction. Changes in regulation relating to a mutual fund's use of derivatives and related instruments could potentially limit or impact the Portfolio's ability to invest in derivatives, limit the Portfolio's ability to employ certain strategies that use derivatives and/or adversely affect the value of derivatives and the Portfolio's performance.

Equity Risk is the risk that the value of equity securities, such as common stocks and preferred securities, may decline due to general market conditions which are not specifically related to a particular company or to factors affecting a particular industry or industries. Equity securities generally have greater price volatility than fixed income securities.

Mortgage-Related and Other Asset-Backed Securities Risk is the risk of investing in mortgage-related and other asset-backed securities, including interest rate risk, extension risk, prepayment risk and credit risk.

Foreign (Non-U.S.) Investment Risk is the risk that investing in foreign (non-U.S.) securities may result in the Portfolio experiencing more rapid and extreme changes in value than a portfolio that invests exclusively in securities of U.S. companies, due to smaller markets, differing reporting, accounting and auditing standards, increased risk of delayed settlement of portfolio transactions or loss of certificates of portfolio securities, and the risk of unfavorable foreign government actions, including nationalization, expropriation or confiscatory taxation, currency blockage, or political changes or diplomatic developments. Foreign securities may also be less liquid and more difficult to value than securities of U.S. issuers.

Emerging Markets Risk is the risk of investing in emerging market securities, primarily increased foreign (non-U.S.) investment risk.

Sovereign Debt Risk is the risk that investments in fixed income instruments issued by sovereign entities may decline in value as a result of default or other adverse credit event resulting from an issuer's inability or unwillingness to make principal or interest payments in a timely fashion.

Currency Risk is the risk that foreign (non-U.S.) currencies will change in value relative to the U.S. dollar and affect the Portfolio's investments in foreign (non-U.S.) currencies or in securities that trade in, and receive revenues in, or in derivatives that provide exposure to, foreign (non-U.S.) currencies.

Leveraging Risk is the risk that certain transactions of the Portfolio, such as reverse repurchase agreements, loans of portfolio securities, and the use of when-issued, delayed delivery or forward commitment transactions, or derivative instruments, may give rise to leverage, magnifying gains and losses and causing the Portfolio to be more volatile than if it had not been leveraged. This means that leverage entails a heightened risk of loss.

Management Risk is the risk that the investment techniques and risk analyses applied by PIMCO will not produce the desired results and that legislative, regulatory, or tax restrictions, policies or developments may affect the investment techniques available to PIMCO and the individual portfolio manager in connection with managing the Portfolio. There is no guarantee that the investment objective of the Portfolio will be achieved.

Short Exposure Risk is the risk of entering into short sales, including the potential loss of more money than the actual cost of the investment, and the risk that the third party to the short sale will not fulfill its contractual obligations, causing a loss to the Portfolio.

Convertible Securities Risk is the risk that arises when convertible securities share both fixed income and equity characteristics. Convertible securities are subject to risks to which fixed income and equity investments are subject. These risks include equity risk, interest rate risk and credit risk.

8. MASTER NETTING ARRANGEMENTS

The Portfolio may be subject to various netting arrangements ("Master Agreements") with select counterparties. Master Agreements govern the terms of certain transactions, and are intended to reduce the counterparty risk associated with relevant transactions by specifying credit protection mechanisms and providing standardization that is intended to improve legal certainty. Each type of Master Agreement governs certain types of transactions. Different types of transactions may be traded out of different legal entities or affiliates of a particular organization, resulting in the need for multiple agreements with a single counterparty. As the Master Agreements are specific to unique operations of different asset types, they allow the Portfolio to close out and net its total exposure to a counterparty in the event of a default with respect to all the transactions governed under a single Master Agreement with a counterparty. For financial reporting purposes the Statement of Assets and Liabilities generally presents derivative assets and liabilities on a gross basis, which reflects the full risks and exposures prior to netting.

Master Agreements can also help limit counterparty risk by specifying collateral posting arrangements at pre-arranged exposure levels. Under most Master Agreements, collateral is routinely transferred if the total net exposure to certain transactions (net of existing collateral already in place) governed under the relevant Master Agreement with a counterparty in a given account exceeds a specified threshold, which typically ranges from zero to $250,000 depending on the counterparty and the type of Master Agreement. United States Treasury Bills and U.S. dollar cash are generally the preferred forms of collateral, although other securities may be used depending on the terms outlined in the applicable Master Agreement. Securities and cash pledged as collateral are reflected as assets on the Statement of Assets and Liabilities as either a component of Investments at value (securities) or Deposits with counterparty. Cash collateral received is not typically held in a segregated account and as such is reflected as a liability on the Statement of Assets and Liabilities as Deposits from counterparty. The market value of any securities received as collateral is not reflected as a component of NAV. The Portfolio's overall exposure to counterparty risk can change substantially within a short period, as it is affected by each transaction subject to the relevant Master Agreement.

Master Repurchase Agreements and Global Master Repurchase Agreements (individually and collectively "Master Repo Agreements") govern repurchase, reverse repurchase, and certain sale-buyback transactions between the Portfolio and select counterparties. Master Repo Agreements maintain provisions for, among other things, initiation, income payments, events of default, and maintenance of collateral. The market value of transactions under the Master Repo Agreement, collateral pledged or received, and the net exposure by counterparty as of period end are disclosed in the Notes to Schedule of Investments.

Master Securities Forward Transaction Agreements ("Master Forward Agreements") govern certain forward settling transactions, such as TBA securities, delayed-delivery or certain sale-buyback transactions by and between the Portfolio and select counterparties. The Master Forward Agreements maintain provisions for, among other things, transaction initiation and confirmation, payment and transfer, events of default, termination, and maintenance of collateral. The market value of forward settling transactions, collateral pledged or received, and the net exposure by counterparty as of period end is disclosed in the Notes to Schedule of Investments.

Customer Account Agreements and related addenda govern cleared derivatives transactions such as futures, options on futures, and cleared OTC derivatives. Such transactions require posting of initial margin as determined by each relevant clearing agency which is segregated in an account at a futures commission merchant ("FCM") registered with the Commodity Futures Trading Commission ("CFTC"). In the United States, counterparty risk may be reduced as creditors of an FCM cannot have a claim to Portfolio assets in the segregated account. Portability of exposure reduces risk to the Portfolio. Variation margin, or changes in market value, are exchanged daily, but may not be netted between futures and cleared OTC derivatives unless the parties have agreed to a separate arrangement in respect of portfolio margining. The market value or accumulated unrealized appreciation (depreciation), initial margin posted, and any unsettled variation margin as of period end are disclosed in the Notes to Schedule of Investments.

International Swaps and Derivatives Association, Inc. Master Agreements and Credit Support Annexes ("ISDA Master Agreements") govern bilateral OTC derivative transactions entered into by the Portfolio with select counterparties. ISDA Master Agreements maintain provisions for general obligations, representations, agreements, collateral posting and events of default or termination. Events of termination include conditions that may entitle counterparties to elect to terminate early and cause settlement of all outstanding transactions under the applicable ISDA Master Agreement. Any election to terminate early could be material to the financial statements. In limited circumstances, the ISDA Master Agreement may contain additional provisions that add counterparty protection beyond coverage of existing daily exposure if the counterparty has a decline in credit quality below a predefined level. These amounts, if any, may be segregated with a third-party custodian. The market value of OTC financial derivative instruments, collateral received or pledged, and net exposure by counterparty as of period end are disclosed in the Notes to Schedule of Investments.

9. FEES AND EXPENSES

(a) Investment Advisory Fee PIMCO is a majority-owned subsidiary of Allianz Asset Management of America L.P. ("Allianz Asset Management") and serves as the Adviser to the Trust, pursuant to an investment advisory contract. The Adviser receives a monthly fee from the Portfolio at an annual rate based on average daily net assets (the "Investment Advisory Fee"). The Investment Advisory Fee for all classes is charged at an annual rate as noted in the table in note (b) below.

(b) Supervisory and Administrative Fee PIMCO serves as administrator (the "Administrator") and provides supervisory and administrative services to the Trust for which it receives a monthly supervisory and administrative fee based on each share class's average daily net assets (the "Supervisory and Administrative Fee"). As the Administrator, PIMCO bears the costs of various third-party services, including audit, custodial, portfolio accounting, legal, transfer agency and printing costs.

The Investment Advisory Fee and Supervisory and Administrative Fees for all classes, as applicable, are charged at the annual rate as noted in the following table (calculated as a percentage of the Portfolio's average daily net assets attributable to each class):

Investment Advisory Fee	Supervisory and Administrative Fee		
All Classes	Institutional Class	Administrative Class	Advisor Class
0.25%	0.25%	0.25%	0.25%

(c) Distribution and Servicing Fees PIMCO Investments LLC, a wholly-owned subsidiary of PIMCO, serves as the distributor ("Distributor") of the Trust's shares.

The Trust has adopted an Administrative Services Plan with respect to the Administrative Class shares of the Portfolio pursuant to Rule 12b-1 under the Act (the "Administrative Plan"). Under the terms of the Administrative Plan, the Trust is permitted to compensate the Distributor, out of the Administrative Class assets of the Portfolio, in an amount up to 0.15% on an annual basis of the average daily net assets of that class, for providing or procuring through financial intermediaries administrative, recordkeeping and investor services for Administrative Class shareholders of the Portfolio.

The Trust has adopted a separate Distribution and Servicing Plan for the Advisor Class shares of the Portfolio (the "Distribution and Servicing Plan"). The Distribution and Servicing Plan has been adopted pursuant to Rule 12b-1 under the Act. The Distribution and Servicing Plan permits the Portfolio to compensate the Distributor for providing or procuring through financial intermediaries, distribution, administrative, recordkeeping, shareholder and/or related services with respect to Advisor Class shares. The Distribution and Servicing Plan permits the Portfolio to make total payments at an annual rate of up to 0.25% of its average daily net assets attributable to its Advisor Class shares.

	Distribution Fee	Servicing Fee
Administrative Class	—	0.15%
Advisor Class	0.25%	—

(d) Portfolio Expenses PIMCO provides or procures supervisory and administrative services for shareholders and also bears the costs of various third-party services required by the Portfolio, including audit, custodial, portfolio accounting, legal, transfer agency and printing costs. The Trust is responsible for the following expenses: (i) taxes and governmental fees; (ii) brokerage fees and commissions and other portfolio transaction expenses; (iii) the costs of borrowing money, including interest expense; (iv) fees and expenses of the Trustees who are not "interested persons" of PIMCO or the Trust, and any counsel retained exclusively for their benefit; (v) extraordinary expense, including costs of litigation and indemnification expenses; (vi) organizational expenses; and (vii) any expenses allocated or allocable to a specific class of shares, which include service fees payable with respect to the Administrative Class Shares, and may include certain other expenses as permitted by the Trust's Multi-Class Plan adopted pursuant to Rule 18f-3 under the Act and subject to review and approval by the Trustees. The ratio of expenses to average net assets per share class, as disclosed on the Financial Highlights, may differ from the annual portfolio operating expenses per share class.

Each Trustee, other than those affiliated with PIMCO or its affiliates, receives an annual retainer of $41,200, plus $4,250 for each Board meeting attended in person, $850 for each committee meeting attended and $750 for each Board meeting attended telephonically, plus reimbursement of related expenses. In addition, the audit committee chair receives an additional annual retainer of $8,000, the valuation oversight committee lead receives an additional annual retainer of $8,500 (to the extent there are co-leads of the valuation oversight committee, the annual retainer will be split evenly between the co-leads, so that each co-lead individually receives an additional annual retainer of $4,250) and each other committee chair receives an additional annual retainer of $5,500. The Lead Independent Trustee receives an annual retainer of $7,000.

These expenses are allocated on a pro rata basis to each Portfolio of the Trust according to its respective net assets. The Trust pays no compensation directly to any Trustee or any other officer who is affiliated with the Administrator, all of whom receive remuneration for their services to the Trust from the Administrator or its affiliates.

(e) Expense Limitation Pursuant to the Expense Limitation Agreement, PIMCO has agreed to waive a portion of the Portfolio's Supervisory and Administrative Fee, or reimburse the Portfolio, to the extent that the Portfolio's organizational expenses, pro rata share of expenses related to obtaining or maintaining a Legal Entity Identifier and pro rata share of Trustee Fees exceed 0.0049%, the "Expense Limit" (calculated as a percentage of the Portfolio's average daily net assets attributable to each class). The Expense Limitation Agreement will automatically renew for one-year terms unless PIMCO provides written notice to the Trust at least 30 days prior to the end of the then current term.

Under certain conditions, PIMCO may be reimbursed for amounts waived pursuant to the Expense Limitation Agreement in future periods, not to exceed thirty-six months after the waiver. At December 31, 2018, there were no recoverable amounts.

10. RELATED PARTY TRANSACTIONS

The Adviser, Administrator, and Distributor are related parties. Fees paid to these parties are disclosed in Note 9, Fees and Expenses, and the accrued related party fee amounts are disclosed on the Statement of Assets and Liabilities.

The Portfolio is permitted to purchase or sell securities from or to certain related affiliated portfolios under specified conditions outlined in procedures adopted by the Board. The procedures have been designed to ensure that any purchase or sale of securities by the Portfolio from or to another fund or portfolio that are, or could be, considered an affiliate, or an affiliate of an affiliate, by virtue of having a common investment adviser (or affiliated investment advisers), common Trustees and/or common officers complies with Rule 17a-7 under the Act. Further, as defined under the procedures, each transaction is effected at the current market price. Purchases and sales of securities pursuant to Rule 17a-7 under the Act for the period ended December 31, 2018, were as follows (amounts in thousands†):

Purchases	Sales
$ 42,723	$ 115,787

† A zero balance may reflect actual amounts rounding to less than one thousand.

11. GUARANTEES AND INDEMNIFICATIONS

Under the Trust's organizational documents, each Trustee, officer, employee or other agent of the Trust (including the Trust's investment manager) is indemnified, to the extent permitted by the Act, against certain liabilities that may arise out of performance of their duties to the Portfolio. Additionally, in the normal course of business, the Portfolio enters into contracts that contain a variety of indemnification clauses. The Portfolio's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Portfolio that have not yet occurred. However, the Portfolio has not had prior claims or losses pursuant to these contracts.

12. PURCHASES AND SALES OF SECURITIES

The length of time the Portfolio has held a particular security is not generally a consideration in investment decisions. A change in the securities held by the Portfolio is known as "portfolio turnover." The Portfolio may engage in frequent and active trading of portfolio securities to achieve its investment objective, particularly during periods of volatile market movements. High portfolio turnover may involve correspondingly greater transaction costs to the Portfolio, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestments in other securities. Such sales may also result in realization of taxable capital gains, including short-term capital gains (which are generally taxed at ordinary income tax rates). The transaction costs and tax effects associated with portfolio turnover may adversely affect a shareholder's performance. The portfolio turnover rates are reported in the Financial Highlights.

Purchases and sales of securities (excluding short-term investments) for the period ended December 31, 2018, were as follows (amounts in thousands†):

U.S. Government/Agency		All Other	
Purchases	Sales	Purchases	Sales
$ 56,869,935	$ 56,746,961	$ 2,861,788	$ 2,024,717

† A zero balance may reflect actual amounts rounding to less than one thousand.

13. REDEMPTIONS IN-KIND

For the period ended December 31, 2018, the Portfolio realized gains or losses from in-kind redemptions of approximately (amounts in thousands†):

Realized Gains	Realized Losses
$ 2,989	$ (4,154)

† A zero balance may reflect actual amounts rounding to less than one thousand.

14. SHARES OF BENEFICIAL INTEREST

The Trust may issue an unlimited number of shares of beneficial interest with a $0.001 par value. Changes in shares of beneficial interest were as follows (shares and amounts in thousands†):

	Year Ended 12/31/2018		Year Ended 12/31/2017	
	Shares	Amount	Shares	Amount
Receipts for shares sold				
Institutional Class	2,492	$ 26,495	2,046	$ 22,228
Administrative Class	36,383	388,110	42,421	460,296
Advisor Class	23,594	252,308	30,730	332,911
Issued as reinvestment of distributions				
Institutional Class	300	3,171	179	1,947
Administrative Class	14,669	154,858	8,401	91,410
Advisor Class	8,979	94,820	5,060	55,074
Cost of shares redeemed				
Institutional Class	(2,398)	(25,511)	(3,325)	(36,182)
Administrative Class	(80,339)	(853,623)	(87,743)	(947,606)
Advisor Class	(71,809)	(762,693)	(18,622)	(202,530)
Net increase (decrease) resulting from Portfolio share transactions	(68,129)	$ (722,065)	(20,853)	$ (222,452)

† A zero balance may reflect actual amounts rounding to less than one thousand.

As of December 31, 2018, two shareholders each owned 10% or more of the Portfolio's total outstanding shares comprising 26% of the Portfolio. One of the shareholders is a related party and comprises 14% of the Portfolio. Related parties may include, but are not limited to, the investment adviser and its affiliates, affiliated broker dealers, fund of funds and directors or employees of the Trust or Adviser.

15. REGULATORY AND LITIGATION MATTERS

The Portfolio is not named as a defendant in any material litigation or arbitration proceedings and is not aware of any material litigation or claim pending or threatened against it.

The foregoing speaks only as of the date of this report.

16. FEDERAL INCOME TAX MATTERS

The Portfolio intends to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code (the "Code") and distribute all of its taxable income and net realized gains, if applicable, to shareholders. Accordingly, no provision for Federal income taxes has been made.

The Portfolio may be subject to local withholding taxes, including those imposed on realized capital gains. Any applicable foreign capital gains tax is accrued daily based upon net unrealized gains, and may be payable following the sale of any applicable investments.

In accordance with U.S. GAAP, the Adviser has reviewed the Portfolio's tax positions for all open tax years. As of December 31, 2018, the Portfolio has recorded no liability for net unrecognized tax benefits relating to uncertain income tax positions it has taken or expects to take in future tax returns.

The Portfolio files U.S. federal, state, and local tax returns as required. The Portfolio's tax returns are subject to examination by 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.

Shares of the Portfolio currently are sold to segregated asset accounts ("Separate Accounts") of insurance companies that fund variable annuity contracts and variable life insurance policies ("Variable Contracts"). Please refer to the prospectus for the Separate Account and Variable Contract for information regarding Federal income tax treatment of distributions to the Separate Account.

As of December 31, 2018, the components of distributable taxable earnings are as follows (amounts in thousands†):

	Undistributed Ordinary Income(1)	Undistributed Long-Term Capital Gains	Net Tax Basis Unrealized Appreciation/ (Depreciation)(2)	Other Book-to-Tax Accounting Differences(3)	Accumulated Capital Losses(4)	Qualified Late-Year Loss Deferral - Capital(5)	Qualified Late-Year Loss Deferral - Ordinary(6)
PIMCO Total Return Portfolio	$ 28,280	$ 0	$ (14,416)	$ 0	$ (133,872)	$ 0	$ 0

† A zero balance may reflect actual amounts rounding to less than one thousand.
(1) Includes undistributed short-term capital gains, if any.
(2) Adjusted for open wash sale loss deferrals and the accelerated recognition of unrealized gain or loss on certain futures, options and forward contracts for federal income tax, purposes. Also adjusted for differences between book and tax realized and unrealized gain (loss) on swap contracts, treasury inflation-protected securities (TIPS), sale/buyback transactions, convertible preferred securities, passive foreign investment companies (PFICs), return of capital distributions from underlying funds, straddle loss deferrals, in-kind transactions, and Lehman securities.
(3) Represents differences in income tax regulations and financial accounting principles generally accepted in the United States of America, mainly for distributions payable at fiscal year-end and organizational costs.
(4) Capital losses available to offset future net capital gains expire in varying amounts as shown below.
(5) Capital losses realized during the period November 1, 2018 through December 31, 2018 which the Portfolio elected to defer to the following taxable year pursuant to income tax regulations.
(6) Specified losses realized during the period November 1, 2018 through December 31, 2018 which the Portfolio elected to defer to the following taxable year pursuant to income tax regulations.

Under the Regulated Investment Company Modernization Act of 2010, a fund is permitted to carry forward any new capital losses for an unlimited period. Additionally, such capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term under previous law.

As of December 31, 2018, the Portfolio had the following post-effective capital losses with no expiration (amounts in thousands†):

	Short-Term	Long-Term
PIMCO Total Return Portfolio	$ 51,973	$ 81,899

† A zero balance may reflect actual amounts rounding to less than one thousand.

As of December 31, 2018, the aggregate cost and the net unrealized appreciation/(depreciation) of investments for federal income tax purposes are as follows (amounts in thousands†):

	Federal Tax Cost	Unrealized Appreciation	Unrealized (Depreciation)	Net Unrealized Appreciation/ (Depreciation)(7)
PIMCO Total Return Portfolio	$ 9,513,424	$ 280,128	$ (294,617)	$ (14,489)

† A zero balance may reflect actual amounts rounding to less than one thousand.
(7) Primary differences, if any, between book and tax net unrealized appreciation/(depreciation) on investments are attributable to open wash sale loss deferrals, unrealized gain or loss on certain futures, options and forward contracts, treasury inflation protected securities (TIPS), sale/buyback transactions, realized and unrealized gain (loss) swap contracts, in-kind transactions, passive foreign investment companies (PFICs), return of capital distributions from underlying funds, straddle loss deferrals, and Lehman securities.

For the fiscal year ended December 31, 2018 and December 31, 2017, respectively, the Portfolio made the following tax basis distributions (amounts in thousands†):

	December 31, 2018			December 31, 2017		
	Ordinary Income Distributions(8)	Long-Term Capital Gain Distributions	Return of Capital(9)	Ordinary Income Distributions(8)	Long-Term Capital Gain Distributions	Return of Capital(9)
PIMCO Total Return Portfolio	$ 253,207	$ 0	$ 0	$ 148,433	$ 0	$ 0

† A zero balance may reflect actual amounts rounding to less than one thousand.
(8) Includes short-term capital gains distributed, if any.
(9) A portion of the distributions made represents a tax return of capital. Return of capital distributions have been reclassified from undistributed net investment income to paid-in capital to more appropriately conform financial accounting to tax accounting.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of PIMCO Variable Insurance Trust and Shareholders of PIMCO Total Return Portfolio

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of PIMCO Total Return Portfolio (one of the portfolios constituting PIMCO Variable Insurance Trust, referred to hereafter as the "Portfolio") as of December 31, 2018, the related statement of operations for the year ended December 31, 2018, the statement of changes in net assets for each of the two years in the period ended December 31, 2018, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2018 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Portfolio as of December 31, 2018, 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, 2018 and the financial highlights for each of the five years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Portfolio's management. Our responsibility is to express an opinion on the Portfolio'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 Portfolio 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, 2018 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.

/s/ PricewaterhouseCoopers LLP
Kansas City, Missouri

February 20, 2019

We have served as the auditor of one or more investment companies in PIMCO Variable Insurance Trust since 1998.

Glossary: (abbreviations that may be used in the preceding statements)

(Unaudited)

Counterparty Abbreviations:

AZD	Australia and New Zealand Banking Group	**FICC**	Fixed Income Clearing Corporation	**MYI**	Morgan Stanley & Co. International PLC
BOA	Bank of America N.A.	**GLM**	Goldman Sachs Bank USA	**NGF**	Nomura Global Financial Products, Inc.
BOM	Bank of Montreal	**GSC**	Goldman Sachs & Co.	**RBC**	Royal Bank of Canada
BOS	Banc of America Securities LLC	**GST**	Goldman Sachs International	**SAL**	Citigroup Global Markets, Inc.
BPS	BNP Paribas S.A.	**HUS**	HSBC Bank USA N.A.	**SCX**	Standard Chartered Bank
BRC	Barclays Bank PLC	**IND**	Crédit Agricole Corporate and Investment Bank S.A.	**SOG**	Societe Generale
CBK	Citibank N.A.	**JPM**	JP Morgan Chase Bank N.A.	**SSB**	State Street Bank and Trust Co.
DUB	Deutsche Bank AG	**MSB**	Morgan Stanley Bank, N.A	**TDM**	TD Securities (USA) LLC
FBF	Credit Suisse International	**MSC**	Morgan Stanley & Co., Inc.	**UAG**	UBS AG Stamford

Currency Abbreviations:

ARS	Argentine Peso	**GBP**	British Pound	**NOK**	Norwegian Krone
AUD	Australian Dollar	**ILS**	Israeli Shekel	**RUB**	Russian Ruble
BRL	Brazilian Real	**INR**	Indian Rupee	**SGD**	Singapore Dollar
CAD	Canadian Dollar	**JPY**	Japanese Yen	**THB**	Thai Baht
CNH	Chinese Renminbi (Offshore)	**KRW**	South Korean Won	**TRY**	Turkish New Lira
EUR	Euro	**MXN**	Mexican Peso	**USD (or $)**	United States Dollar

Exchange Abbreviations:

CBOT	Chicago Board of Trade	**OTC**	Over the Counter

Index/Spread Abbreviations:

CDX.HY	Credit Derivatives Index - High Yield	**CPURNSA**	Consumer Price All Urban Non-Seasonally Adjusted Index	**LIBOR03M**	3 Month USD-LIBOR
CDX.IG	Credit Derivatives Index - Investment Grade	**EUR003M**	3 Month EUR Swap Rate	**US0003M**	3 Month USD Swap Rate
CMBX	Commercial Mortgage-Backed Index				

Other Abbreviations:

ABS	Asset-Backed Security	**EURIBOR**	Euro Interbank Offered Rate	**PIK**	Payment-in-Kind
ALT	Alternate Loan Trust	**LIBOR**	London Interbank Offered Rate	**TBA**	To-Be-Announced
BTP	Buoni del Tesoro Poliennali	**Lunar**	Monthly payment based on 28-day periods. One year consists of 13 periods.	**TBD**	To-Be-Determined
CLO	Collateralized Loan Obligation	**OAT**	Obligations Assimilables du Trésor	**TIIE**	Tasa de Interés Interbancaria de Equilibrio "Equilibrium Interbank Interest Rate"
DAC	Designated Activity Company				

Federal Income Tax Information

(Unaudited)

As required by the Internal Revenue Code (the "Code") and Treasury Regulations, if applicable, shareholders must be notified regarding the status of qualified dividend income and the dividend received deduction.

Dividend Received Deduction. Corporate shareholders are generally entitled to take the dividend received deduction on the portion of a Fund's dividend distribution that qualifies under tax law. The percentage of the following Portfolio's fiscal 2018 ordinary income dividend that qualifies for the corporate dividend received deduction is set forth in the table below.

Qualified Dividend Income. Under the Jobs and Growth Tax Relief Reconciliation Act of 2003 (the "Act"), the percentage of ordinary dividends paid during the calendar year designated as "qualified dividend income", as defined in the Act, subject to reduced tax rates in 2018 is set forth for the Portfolio in the table below.

Qualified Interest Income and Qualified Short-Term Capital Gain (for non-U.S. resident shareholders only). Under the American Jobs Creation Act of 2004, the amounts of ordinary dividends paid during the fiscal year ended December 31, 2018 considered to be derived from "qualified interest income," as defined in Section 871(k)(1)(E) of the Code, and therefore designated as interest-related dividends, as defined in Section 871(k)(1)(C) of the Code are set forth in the table below. Further, the amounts of ordinary dividends paid during the fiscal year ended December 31, 2018 considered to be derived from "qualified short-term capital gain," as defined in Section 871(k)(2)(D) of the Code, and therefore designated as qualified short-term gain dividends, as defined by Section 871(k)(2)(C) of the Code are also set forth in the table below.

	Dividend Received Deduction %	Qualified Dividend Income %	Qualified Interest Income (000s†)	Qualified Short-Term Capital Gain (000s†)
PIMCO Total Return Portfolio	0.00%	0.00%	$ 152,143	$ 78,530

† A zero balance may reflect actual amounts rounding to less than one thousand.

Shareholders are advised to consult their own tax advisor with respect to the tax consequences of their investment in the Trust. In January 2019, you will be advised on IRS Form 1099-DIV as to the federal tax status of the dividends and distributions received by you in calendar year 2018.

The charts below identify the Trustees and executive officers of the Trust. Unless otherwise indicated, the address of all persons below is 650 Newport Center Drive, Newport Beach, CA 92660.

The Portfolio's Statement of Additional Information includes more information about the Trustees and Officers. To request a free copy, call PIMCO at (888) 87-PIMCO or visit the Portfolio's website at www.pimco.com/pvit.

Name, Year of Birth and Position Held with Trust*	Term of Office and Length of Time Served†	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Public Company and Investment Company Directorships Held by Trustee During the Past 5 Years
Interested Trustees[1]				
Peter G. Strelow (1970)** *Chairman of the Board and Trustee*	05/2017 to present Chairman of the Board - 02/2019 to present	Managing Director and Co-Chief Operating Officer, PIMCO. President of the Trust, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds. Formerly, Chief Administrative Officer, PIMCO.	153	Chairman and Trustee, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT.
Brent R. Harris (1959)** *Trustee*	08/1997 to present	Managing Director, PIMCO. Senior Vice President of the Trust, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT. Formerly, member of Executive Committee, PIMCO.	153	Trustee, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT; Director, StocksPLUS® Management, Inc; and member of Board of Governors, Investment Company Institute. Formerly, Chairman, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT.
Independent Trustees				
George E. Borst (1948) *Trustee*	04/2015 to present	Executive Advisor, McKinsey & Company (since 10/14); Formerly, Executive Advisor, Toyota Financial Services (10/13-12/14); and CEO, Toyota Financial Services (1/01-9/13).	132	Trustee, PIMCO Funds and PIMCO ETF Trust; Director, MarineMax Inc.
Jennifer Holden Dunbar (1963) *Trustee*	04/2015 to present	Managing Director, Dunbar Partners, LLC (business consulting and investments). Formerly, Partner, Leonard Green & Partners, L.P.	153	Trustee, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT; Director, PS Business Parks; Director, Big 5 Sporting Goods Corporation.
Kym M. Hubbard (1957) *Trustee*	02/2017 to present	Formerly, Global Head of Investments, Chief Investment Officer and Treasurer, Ernst & Young.	132	Trustee, PIMCO Funds and PIMCO ETF Trust; Director, State Auto Financial Corporation.
Gary F. Kennedy (1955) *Trustee*	04/2015 to present	Formerly, Senior Vice President, General Counsel and Chief Compliance Officer, American Airlines and AMR Corporation (now American Airlines Group) (1/03-1/14).	132	Trustee, PIMCO Funds and PIMCO ETF Trust.
Peter B. McCarthy (1950) *Trustee*	04/2015 to present	Formerly, Assistant Secretary and Chief Financial Officer, United States Department of Treasury; Deputy Managing Director, Institute of International Finance.	153	Trustee, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.
Ronald C. Parker (1951) *Lead Independent Trustee*	07/2009 to present Lead Independent Trustee - 02/2017 to present	Director of Roseburg Forest Products Company. Formerly, Chairman of the Board, The Ford Family Foundation; and President, Chief Executive Officer, Hampton Affiliates (forestry products).	153	Lead Independent Trustee, PIMCO Funds and PIMCO ETF Trust; Trustee, PIMCO Equity Series and PIMCO Equity Series VIT.

* Unless otherwise noted, the information for the individuals listed is as of December 31, 2018.

** Effective February 13, 2019, Mr. Strelow became the Chairman of the Trust.

[1] Mr. Harris and Mr. Strelow are "interested persons" of the Trust (as that term is defined in the 1940 Act) because of their affiliations with PIMCO.

† Trustees serve until their successors are duly elected and qualified.

Executive Officers

Name, Year of Birth and Position Held with Trust	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years*
Peter G. Strelow (1970) *President*	01/2015 to present	Managing Director and Co-Chief Operating Officer, PIMCO. President, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds. Formerly, Chief Administrative Officer, PIMCO.
Joshua D. Ratner (1976)** *Chief Legal Officer*	11/2018 to present Vice President - Senior Counsel and Secretary 11/2013 to 11/2018 Assistant Secretary 10/2007 to 01/2011	Executive Vice President and Deputy General Counsel, PIMCO. Chief Legal Officer, PIMCO Investments LLC. Chief Legal Officer, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds.
Jennifer E. Durham (1970) *Chief Compliance Officer*	07/2004 to present	Managing Director and Chief Compliance Officer, PIMCO. Chief Compliance Officer, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.
Brent R. Harris (1959) *Senior Vice President*	01/2015 to present President 03/2009 to 01/2015	Managing Director, PIMCO. Senior Vice President, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT. Formerly, member of Executive Committee, PIMCO.
Ryan G. Leshaw (1980) *Vice President, Senior Counsel and Secretary*	11/2018 to present Assistant Secretary 05/2012 to 11/2018	Senior Vice President and Senior Counsel, PIMCO. Vice President, Senior Counsel and Secretary, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT. Assistant Secretary, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds. Formerly, Associate, Willkie Farr & Gallagher LLP.
Wu-Kwan Kit (1981) *Assistant Secretary*	08/2017 to present	Senior Vice President and Senior Counsel, PIMCO. Assistant Secretary, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT. Vice President, Senior Counsel and Secretary, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds. Formerly, Assistant General Counsel, VanEck Associates Corp.
Stacie D. Anctil (1969) *Vice President*	05/2015 to present Assistant Treasurer 11/2003 to 05/2015	Executive Vice President, PIMCO. Vice President, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds.
William G. Galipeau (1974) *Vice President*	11/2013 to present	Executive Vice President, PIMCO. Vice President, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds.
Eric D. Johnson (1970) *Vice President*	05/2011 to present	Executive Vice President, PIMCO. Vice President, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds.
Henrik P. Larsen (1970) *Vice President*	02/1999 to present	Senior Vice President, PIMCO. Vice President, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.
Bijal Y. Parikh (1978) *Vice President*	02/2017 to present	Senior Vice President, PIMCO. Vice President, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds.
Greggory S. Wolf (1970) *Vice President*	05/2011 to present	Senior Vice President, PIMCO. Vice President, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.
Trent W. Walker (1974) *Treasurer*	11/2013 to present	Executive Vice President, PIMCO. Treasurer, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds.
Erik C. Brown (1967)** *Assistant Treasurer*	02/2001 to present	Executive Vice President, PIMCO. Assistant Treasurer, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds.
Colleen D. Miller (1980)** *Assistant Treasurer*	02/2017 to present	Senior Vice President, PIMCO. Assistant Treasurer, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds.
Christopher M. Morin (1980) *Assistant Treasurer*	08/2016 to present	Senior Vice President, PIMCO. Assistant Treasurer, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds.
Jason J. Nagler (1982)** *Assistant Treasurer*	05/2015 to present	Senior Vice President, PIMCO. Assistant Treasurer, PIMCO Funds, PIMCO ETF Trust, PIMCO Equity Series, PIMCO Equity Series VIT, PIMCO Managed Accounts Trust, PIMCO-Sponsored Interval Funds and PIMCO-Sponsored Closed-End Funds.

* The term "PIMCO-Sponsored Closed-End Funds" as used herein includes: PIMCO California Municipal Income Fund, PIMCO California Municipal Income Fund II, PIMCO California Municipal Income Fund III, PIMCO Municipal Income Fund, PIMCO Municipal Income Fund II, PIMCO Municipal Income Fund III, PIMCO New York Municipal Income Fund, PIMCO New York Municipal Income Fund II, PIMCO New York Municipal Income Fund III, PCM Fund Inc., PIMCO Corporate & Income Opportunity Fund, PIMCO Corporate & Income Strategy Fund, PIMCO Dynamic Credit and Mortgage Income Fund, PIMCO Dynamic Income Fund, PIMCO Global StocksPLUS® & Income Fund, PIMCO High Income Fund, PIMCO Income Opportunity Fund, PIMCO Income Strategy Fund, PIMCO Income Strategy Fund II and PIMCO Strategic Income Fund, Inc.; the term "PIMCO-Sponsored Interval Funds" as used herein includes: PIMCO Flexible Credit Income Fund and PIMCO Flexible Municipal Income Fund.

** The address of these officers is Pacific Investment Management Company LLC, 1633 Broadway, New York, New York 10019.

The Trust[2,3] considers customer privacy to be a fundamental aspect of its relationships with shareholders and is committed to maintaining the confidentiality, integrity and security of its current, prospective and former shareholders' non-public personal information. The Trust has developed policies that are designed to protect this confidentiality, while allowing shareholder needs to be served.

OBTAINING PERSONAL INFORMATION

In the course of providing shareholders with products and services, the Trust and certain service providers to the Trust, such as the Trust's investment advisers or sub-advisers ("Advisers"), may obtain non-public personal information about shareholders, which may come from sources such as account applications and other forms, from other written, electronic or verbal correspondence, from shareholder transactions, from a shareholder's brokerage or financial advisory firm, financial advisor or consultant, and/or from information captured on applicable websites.

RESPECTING YOUR PRIVACY

As a matter of policy, the Trust does not disclose any non-public personal information provided by shareholders or gathered by the Trust to non-affiliated third parties, except as required or permitted by law or as necessary for such third parties to perform their agreements with respect to the Trust. As is common in the industry, non-affiliated companies may from time to time be used to provide certain services, such as preparing and mailing prospectuses, reports, account statements and other information, conducting research on shareholder satisfaction and gathering shareholder proxies. The Trust or its affiliates may also retain non-affiliated companies to market the Trust's shares or products which use the Trust's shares and enter into joint marketing arrangements with them and other companies. These companies may have access to a shareholder's personal and account information, but are permitted to use this information solely to provide the specific service or as otherwise permitted by law. In most cases, the shareholders will be clients of a third party, but the Trust may also provide a shareholder's personal and account information to the shareholder's respective brokerage or financial advisory firm and/or financial advisor or consultant.

SHARING INFORMATION WITH THIRD PARTIES

The Trust reserves the right to disclose or report personal or account information to non-affiliated third parties in limited circumstances where the Trust believes in good faith that disclosure is required under law, to cooperate with regulators or law enforcement authorities, to protect its rights or property, or upon reasonable request by any fund advised by PIMCO in which a shareholder has invested. In addition, the Trust may disclose information about a shareholder or a shareholder's accounts to a non-affiliated third party at the shareholder's request or with the consent of the shareholder.

SHARING INFORMATION WITH AFFILIATES

The Trust may share shareholder information with its affiliates in connection with servicing shareholders' accounts, and subject to applicable law may provide shareholders with information about products and services that the Trust or its Advisers, distributors or their affiliates ("Service Affiliates") believe may be of interest to such shareholders. The information that the Trust may share may include, for example, a shareholder's participation in the Trust or in other investment programs sponsored by a Service Affiliate, a shareholder's ownership of certain types of accounts (such as IRAs), information about the Trust's experiences or transactions with a shareholder, information captured on applicable websites, or other data about a shareholder's accounts, subject to applicable law. The Trust's Service Affiliates, in turn, are not permitted to share shareholder information with non-affiliated entities, except as required or permitted by law.

PROCEDURES TO SAFEGUARD PRIVATE INFORMATION

The Trust takes seriously the obligation to safeguard shareholder non-public personal information. In addition to this policy, the Trust has implemented procedures that are designed to restrict access to a shareholder's non-public personal information to internal personnel who need to know that information to perform their jobs, such as servicing shareholder accounts or notifying shareholders of new products or services. Physical, electronic and procedural safeguards are in place to guard a shareholder's non-public personal information.

INFORMATION COLLECTED FROM WEBSITES

Websites maintained by the Trust or its service providers may use a variety of technologies to collect information that help the Trust and its service providers understand how the website is used. Information collected from your web browser (including small files stored on your device that are commonly referred to as "cookies") allow the websites to recognize your web browser and help to personalize and improve your user experience and enhance navigation of the website. In addition, the Trust or its Service Affiliates may use third parties to place advertisements for the Trust on other websites, including banner advertisements. Such third parties may collect anonymous information through the use of cookies or action tags (such as web beacons). The information these third parties collect is generally limited to technical and web navigation information, such as your IP address, web pages visited and browser type, and does not include personally identifiable information such as name, address, phone number or email address. If you are a registered user of the Trust's website, the Trust or their service providers or third party firms engaged by the Trust or their service providers may collect or share information submitted by you, which may include personally identifiable information. This information can be useful to the Trust when assessing and offering services and website features. You can change your cookie preferences by changing the setting on your web browser to delete or reject cookies. If you delete or reject cookies, some website pages may not function properly. The Trust does not look for web browser "do not track" requests.

CHANGES TO THE PRIVACY POLICY

From time to time, the Trust may update or revise this privacy policy. If there are changes to the terms of this privacy policy, documents containing the revised policy on the relevant website will be updated.

[1] Amended as of February 15, 2017.

[2] PIMCO Investments LLC ("PI") serves as the Trust's distributor. This Privacy Policy applies to the activities of PI to the extent that PI regularly effects or engages in transactions with or for a Trust shareholder who is the record owner of such shares. For purposes of this Privacy Policy, references to "the Trust" shall include PI when acting in this capacity.

[3] When distributing this Policy, the Trust may combine the distribution with any similar distribution of its investment adviser's privacy policy. The distributed, combined policy may be written in the first person (i.e., by using "we" instead of "the Trust").

Approval of Renewal of the Amended and Restated Investment Advisory Contract, Supervision and Administration Agreement and Amended and Restated Asset Allocation Sub-Advisory Agreement

At a meeting held on August 20-21, 2018, the Board of Trustees (the "Board") of PIMCO Variable Insurance Trust (the "Trust"), including the Trustees who are not "interested persons" of the Trust under the Investment Company Act of 1940, as amended (the "Independent Trustees"), considered and unanimously approved the renewal of the Amended and Restated Investment Advisory Contract (the "Investment Advisory Contract") between the Trust, on behalf of each of the Trust's series (the "Portfolios"), and Pacific Investment Management Company LLC ("PIMCO") for an additional one-year term through August 31, 2019. The Board also considered and unanimously approved the renewal of the Supervision and Administration Agreement (together with the Investment Advisory Contract, the "Agreements") between the Trust, on behalf of the Portfolios, and PIMCO for an additional one-year term through August 31, 2019. In addition, the Board considered and unanimously approved the renewal of the Amended and Restated Asset Allocation Sub-Advisory Agreement (the "Asset Allocation Agreement") between PIMCO, on behalf of PIMCO All Asset Portfolio and PIMCO All Asset All Authority Portfolio, each a series of the Trust, and Research Affiliates, LLC ("Research Affiliates") for an additional one-year term through August 31, 2019.

The information, material factors and conclusions that formed the basis for the Board's approvals are summarized below.

1. INFORMATION RECEIVED

(a) Materials Reviewed: During the course of the past year, the Trustees received a wide variety of materials relating to the services provided by PIMCO and Research Affiliates to the Trust. At each of its quarterly meetings, the Board reviewed the Portfolios' investment performance and a significant amount of information relating to Portfolio operations, including shareholder services, valuation and custody, the Portfolios' compliance program and other information relating to the nature, extent and quality of services provided by PIMCO and Research Affiliates to the Trust and each of the Portfolios, as applicable. In considering whether to approve the renewal of the Agreements and the Asset Allocation Agreement, the Board reviewed additional information, including, but not limited to, comparative industry data with regard to investment performance, advisory and supervisory and administrative fees and expenses, financial information for PIMCO and, where relevant, Research Affiliates, information regarding the profitability to PIMCO of its relationship with the Portfolios, information about the personnel providing investment management services, other advisory services and supervisory and administrative services to the Portfolios, and information about the fees charged and services provided to other clients with similar investment mandates as the Portfolios, where applicable. In addition, the Board reviewed materials provided by counsel to the Trust and the Independent Trustees, which included, among other things, memoranda outlining legal duties of the Board in considering the renewal of the Agreements and the Asset Allocation Agreement.

(b) Review Process: In connection with considering the renewal of the Agreements and the Asset Allocation Agreement, the Board reviewed written materials prepared by PIMCO and, where applicable, Research Affiliates in response to requests from counsel to the Trust and the Independent Trustees encompassing a wide variety of topics. The Board requested and received assistance and advice regarding, among other things, applicable legal standards from counsel to the Trust and the Independent Trustees, and reviewed comparative fee and performance data prepared at the Board's request by Broadridge Financial Solutions, Inc. ("Broadridge"), an independent provider of investment company performance information and fee and expense data. The Board received information on matters related to the Agreements and the Asset Allocation Agreement and met both as a full Board and in a separate session of the Independent Trustees, without management present, at the August 20-21, 2018 meeting. The Independent Trustees also conducted in-person meetings with counsel to the Trust and the Independent Trustees, including one on July 18, 2018, to discuss the Lipper Report, as defined below, and certain aspects of the 2018 15(c) materials presented and other matters deemed relevant to their consideration of the renewal of the Agreements and the Asset Allocation Agreement. In connection with its review of the Agreements, the Board received comparative information on the performance and the fees and expenses of other peer group funds and share classes. In addition, the Independent Trustees requested and received supplemental information.

The approval determinations were made on the basis of each Trustee's business judgment after consideration and evaluation of all the information presented. Individual Trustees may have given different weights to certain factors and assigned various degrees of materiality to information received in connection with the approval process. In deciding to approve the renewal of the Agreements and the Asset Allocation Agreement, the Board did not identify any single factor or particular information that, in isolation, was controlling. The discussion below is intended to summarize the broad factors and information that figured prominently in the Board's consideration of the renewal of the Agreements and the Asset Allocation Agreement, but is not intended to summarize all of the factors considered by the Board.

2. NATURE, EXTENT AND QUALITY OF SERVICES

(a) PIMCO, Research Affiliates, their Personnel, and Resources: The Board considered the depth and quality of PIMCO's investment management process, including: the experience, capability and integrity

of its senior management and other personnel; the overall financial strength and stability of its organization; and the ability of its organizational structure to address changes in the Portfolios' asset levels. The Board also considered the various services in addition to portfolio management that PIMCO provides under the Investment Advisory Contract. The Board noted that PIMCO makes available to its investment professionals a variety of resources and systems relating to investment management, compliance, trading, performance and portfolio accounting. The Board also noted PIMCO's commitment to enhancing and investing in its global infrastructure, technology capabilities, risk management processes and the specialized talent needed to stay at the forefront of the competitive investment management industry and to strengthen its ability to deliver services under the Agreements. The Board considered PIMCO's policies, procedures and systems reasonably designed to assure compliance with applicable laws and regulations and its commitment to further developing and strengthening these programs, its oversight of matters that may involve conflicts of interest between the Portfolios' investments and those of other accounts managed by PIMCO, and its efforts to keep the Trustees informed about matters relevant to the Portfolios and their shareholders. The Board also considered PIMCO's continuous investment in new disciplines and talented personnel, which has enhanced PIMCO's services to the Portfolios and has allowed PIMCO to introduce innovative new portfolios over time. In addition, the Board considered the nature and quality of services provided by PIMCO to the wholly-owned subsidiaries of certain applicable Portfolios.

The Trustees considered that PIMCO has continued to strengthen the process it uses to actively manage counterparty risk and to assess the financial stability of counterparties with which the Portfolios do business, to manage collateral and to protect Portfolios from an unforeseen deterioration in the creditworthiness of trading counterparties. The Trustees noted that, consistent with its fiduciary duty, PIMCO executes transactions through a competitive best execution process and uses only those counterparties that meet its stringent and monitored criteria. The Trustees considered that PIMCO's collateral management team utilizes a counterparty risk system to analyze portfolio level exposure and collateral being exchanged with counterparties.

In addition, the Trustees considered new services and service enhancements that PIMCO has implemented since the Board renewed the Agreements in 2017, including, but not limited to upgrading the global network and infrastructure to support trading and risk management systems; enhancing and continuing to expand capabilities within the pre-trade compliance platform; enhancing flexible client reporting capabilities to support increased differentiation within local markets; developing new application and database frameworks to support new trading strategies; expanding proprietary applications suites to enrich capabilities across Compliance, Analytics, Risk Management, Client Reporting, Attribution and Customer Relationship management; continuing investment in its enterprise risk management function, including PIMCO's cybersecurity program and global business continuity functions; oversight by the Americas Fund Oversight Committee, which provides senior-level oversight and supervision focused on new and ongoing fund-related business opportunities; engaging a third party service provider to implement the SEC reporting modernization regime; expanding the Fund Treasurer's Office; enhancing a proprietary application to provide portfolio managers with more timely and high quality income reporting; developing a global tax management application that will enable investment professionals to access foreign market and security tax information on a real-time basis; enhancing reporting of tax reporting for portfolio managers for income products with improved transparency on tax factors impacting income generation and dividend yield; upgrading a proprietary application to allow shareholder subscription and redemption data to pass to portfolio managers more quickly and efficiently; and continuing to expand the pricing portal and the proprietary performance reconciliation tool.

Similarly, the Board considered the asset allocation services provided by Research Affiliates to the PIMCO All Asset Portfolio and PIMCO All Asset All Authority Portfolio. The Board further considered PIMCO's oversight of Research Affiliates in connection with Research Affiliates providing asset allocation services to the Asset Portfolio and All Asset All Authority Portfolio. The Board also considered the depth and quality of Research Affiliates' investment management and research capabilities, the experience and capabilities of its portfolio management personnel and the overall financial strength of the organization.

Ultimately, the Board concluded that the nature, extent and quality of services provided or procured by PIMCO under the Agreements and provided by Research Affiliates under the Asset Allocation Agreement are likely to continue to benefit the Portfolios and their respective shareholders, as applicable.

(b) Other Services: The Board also considered the nature, extent and quality of supervisory and administrative services provided by PIMCO to the Portfolios under the Supervision and Administration Agreement.

The Board considered the terms of the Supervision and Administration Agreement, under which the Trust pays for the supervisory and administrative services provided pursuant to that agreement under what is essentially an all-in fee structure (the "unified fee"). In return, PIMCO provides or procures certain supervisory and administrative services and bears the costs of various third party services required by the Portfolios, including audit, custodial, portfolio accounting, legal, transfer agency, sub-accounting and printing costs. The Board noted that the scope and complexity, as well as the costs, of the supervisory

and administrative services provided by PIMCO under the Supervision and Administration Agreement continue to increase. The Board considered PIMCO's provision of supervisory and administrative services and its supervision of the Trust's third party service providers to assure that these service providers continue to provide a high level of service relative to alternatives available in the market.

Ultimately, the Board concluded that the nature, extent and quality of the services provided by PIMCO has benefited, and will likely continue to benefit, the Portfolios and their shareholders.

3. INVESTMENT PERFORMANCE

The Board reviewed information from PIMCO concerning the Portfolios' performance, as available, over short- and long-term periods ended March 31, 2018 and other performance data, as available, over short- and long-term periods ended June 30, 2018 (the "PIMCO Report") and from Broadridge concerning the Portfolios' performance, as available, over short- and long-term periods ended March 31, 2018 (the "Lipper Report").

The Board considered information regarding both the short- and long-term investment performance of each Portfolio relative to its peer group and relevant benchmark index as provided to the Board in advance of each of its quarterly meetings throughout the year, including the PIMCO Report and Lipper Report, which were provided in advance of the August 20-21, 2018 meeting. The Trustees noted that many of the Portfolios outperformed their respective Lipper medians on a net-of-fees basis over the three-, five- and ten-year periods ended March 31, 2018. The Board also noted that, as of March 31, 2018, the Administrative Class of 72%, 35% and 73% of the Portfolios outperformed their respective Lipper category median on a net-of-fees basis over the three-, five- and ten-year periods, respectively. The Trustees considered that other classes of each Portfolio would have substantially similar performance to that of the Administrative Class of the relevant Portfolio on a relative basis because all of the classes are invested in the same portfolio of investments and that differences in performance among classes could principally be attributed to differences in the supervisory and administrative fees and distribution and servicing expenses of each class. The Board also considered that the investment objectives of certain of the Portfolios may not always be identical to those of the other funds in their respective peer groups and that the Lipper categories do not: separate funds based upon maturity or duration; account for the applicable Portfolios' hedging strategies; distinguish between enhanced index and actively managed equity strategies; include as many subsets as the Portfolios offer (*i.e.*, Portfolios may be placed in a "catch-all" Lipper category to which they do not properly belong); or account for certain fee waivers. The Board noted that, due to these differences, performance comparisons between certain of the Portfolios and their so-called peers may not be particularly relevant to the consideration of Portfolio performance but found the comparative information supported its overall evaluation.

The Board noted that performance for a majority of the Portfolios has been mixed compared to their respective benchmark indexes over the five-year period ended March 31, 2018. The Board noted that, as of March 31, 2018, 70%, 23% and 92% of the Trust's assets (based on Administrative Class performance) outperformed their respective benchmarks on a net-of-fees basis over the three-, five- and ten-year periods, respectively. The Board also discussed actions that have been taken by PIMCO to attempt to improve performance and took note of PIMCO's plans to monitor performance going forward.

The Board considered PIMCO's discussion of the intensive nature of managing bond funds, noting that it requires the management of a number of factors, including: varying maturities; prepayments; collateral management; counterparty management; pay-downs; credit and corporate events; workouts; derivatives; net new issuance in the bond market; and decreased market maker inventory levels. The Board noted that in addition to managing these factors, PIMCO must also balance risk controls and strategic positions in each portfolio it manages, including the Portfolios. Despite these challenges, the Board noted PIMCO's ability to generate non-market correlated excess performance for its clients over time, including the Trust.

The Board ultimately concluded, within the context of all of its considerations in connection with the Agreements, that PIMCO's performance record and process in managing the Portfolios indicates that its continued management is likely to benefit the Portfolios and their shareholders, and merits the approval of the renewal of the Agreements.

4. ADVISORY FEES, SUPERVISORY AND ADMINISTRATIVE FEES AND TOTAL EXPENSES

The Board considered that PIMCO seeks to price new funds and classes to scale. PIMCO reported to the Board that, in proposing fees for any Portfolio or class of shares, it considers a number of factors, including, but not limited to, the type and complexity of the services provided, the cost of providing services, the risk assumed by PIMCO in the development of products and the provision of services and the competitive marketplace for financial products. Fees charged to or proposed for different Portfolios for advisory services and supervisory and administrative services may vary in light of these various factors. The Board considered that portfolio pricing generally is not driven by comparison to passively-managed products.

In addition, PIMCO reported to the Board that it periodically reviews the fees charged to the Portfolios. The Board noted that, based upon this review, PIMCO may propose advisory fee or supervisory and administrative fee changes where (i) a Portfolio's long-term performance warrants additional consideration; (ii) there is a notable aid to market

position; (iii) a Portfolio's fee does not reflect the current level of supervision or administrative fees provided to the Portfolio; or (iv) PIMCO would like to change a Portfolio's overall strategic positioning.

The Board reviewed the advisory fees, supervisory and administrative fees and total expenses of the Portfolios (each as a percentage of average net assets) and compared such amounts with the average and median fee and expense levels of other similar funds. The Board also reviewed information relating to the sub-advisory fees paid to Research Affiliates with respect to applicable Portfolios, taking into account that PIMCO compensates Research Affiliates from the advisory fees paid by such Portfolios to PIMCO. With respect to advisory fees, the Board reviewed data from Broadridge that compared the average and median advisory fees of other funds in a "Peer Group" of comparable funds, as well as the universe of other similar funds. The Board noted that a number of Portfolios have total expense ratios that fall below the average and median expense ratios in their Peer Group and Lipper universe. In addition, the Board considered fee waivers in place for certain of the Portfolios and also noted the fee waivers in place with respect to the advisory fee and supervisory and administrative fee that might result from investments by applicable Portfolios in their respective wholly-owned subsidiaries. The Board also considered that PIMCO reviews the Portfolios' fee levels and carefully considers changes where appropriate.

The Board also reviewed data comparing the Portfolios' advisory fees to the standard and negotiated fee rates PIMCO charges to separate accounts, collective investment trusts and sub-advised clients with similar investment strategies. In cases where the fees for other clients were lower than those charged to the Portfolios, the Trustees noted that the differences in fees were attributable to various factors, including, but not limited to, differences in the advisory and other services provided by PIMCO to the Portfolios, differences in the number or extent of the services provided by PIMCO to the Portfolios, the manner in which similar portfolios may be managed, different requirements with respect to liquidity management and the implementation of other regulatory requirements, and the fact that separate accounts may have other contractual arrangements or arrangements across PIMCO strategies that justify different levels of fees. The Board considered that, with respect to collective investment trusts, PIMCO performs fewer or less extensive services because collective investment trusts are generally exempt from SEC regulation; investors in a collective investment trust may receive shareholder services from a trustee bank, rather than PIMCO; collective investment trusts have less regulatory disclosure; and the management structure of collective investment trusts differs from that of funds. The Trustees also considered that PIMCO faces increased entrepreneurial, legal and regulatory risk in sponsoring and managing mutual funds and ETFs as compared to separate accounts, external sub-advised funds or other investment products.

Regarding advisory fees charged by PIMCO in its capacity as sub-adviser to third party/unaffiliated funds, the Trustees took into account that such fees may be lower than the fees charged by PIMCO to serve as adviser to the Portfolios. The Trustees also took into account that there are various reasons for any such differences in fees, including, but not limited to, the fact that PIMCO may be subject to varying levels of entrepreneurial risk and regulatory requirements, differing legal liabilities on a contract-by-contract basis and different servicing requirements when PIMCO does not serve as the sponsor of a fund and is not principally responsible for all aspects of a fund's investment program and operations as compared to when PIMCO serves as investment adviser and sponsor.

The Board considered the Portfolios' supervisory and administrative fees, comparing them to similar funds in the report supplied by Broadridge. The Board also considered that as the Portfolios' business has become increasingly complex and the number of Portfolios has grown over time, PIMCO has provided an increasingly broad array of fund supervisory and administrative functions. In addition, the Board considered the Trust's unified fee structure, under which the Trust pays for the supervisory and administrative services it requires for one set fee. In return for this unified fee, PIMCO provides or procures supervisory and administrative services and bears the costs of various third party services required by the Portfolios, including audit, custodial, portfolio accounting, legal, transfer agency, sub-accounting and printing costs. The Board further considered that many other funds pay for comparable services separately, and thus it is difficult to directly compare the Trust's unified supervisory and administrative fees with the fees paid by other funds for administrative services alone. The Board also considered that the unified supervisory and administrative fee leads to Portfolio fees that are fixed over the contract period, rather than variable. The Board noted that, although the unified fee structure does not have breakpoints, it implicitly reflects economies of scale by fixing the absolute level of Portfolio fees at competitive levels over the contract period even if the Portfolios' operating costs rise when assets remain flat or decrease. Other factors the Board considered in assessing the unified fee include PIMCO's approach of pricing Portfolios to scale at inception and reinvesting in other important areas of the business that support the Portfolios. The Board considered that the Portfolios' unified fee structure meant that fees were not impacted by recent outflows in certain Portfolios, unlike funds without a unified fee structure, which may see increased expense ratios when fixed costs, such as service provider costs, are passed through to a smaller asset base. The Board considered historical advisory and supervisory and administrative fee reductions implemented for different Portfolios and classes, noting that the unified fee can be increased or decreased in subsequent contractual periods and is subject to the periodic reviews discussed above. The Board noted that, with few exceptions, PIMCO

has generally maintained Portfolio fees at the same level as implemented when the unified fee was adopted, and has reduced fees for a number of Portfolios in prior years. The Board concluded that the Portfolios' supervisory and administrative fees were reasonable in relation to the value of the services provided, including the services provided to different classes of shareholders, and that the expenses assumed contractually by PIMCO under the Supervision and Administration Agreement represent, in effect, a cap on overall Portfolio fees during the contractual period, which is beneficial to the Portfolios and their shareholders.

The Board considered the Portfolios' total expenses and discussed with PIMCO those Portfolios and/or classes of Portfolios that had above median total expenses. The Board noted that many of the Portfolios are unique products that have few peers, if any, and cannot easily be grouped with comparable funds. Upon comparing the Portfolios' total expenses to other funds in the "Peer Groups" provided by Broadridge, the Board found total expenses of each Portfolio to be reasonable.

The Trustees also considered the advisory fees charged to the Portfolios that operate as funds of funds (the "Funds of Funds") and the advisory services provided in exchange for such fees. The Trustees determined that such services were in addition to the advisory services provided to the underlying funds in which the Funds of Funds may invest and, therefore, such services were not duplicative of the advisory services provided to the underlying funds. The Board also considered the various fee waiver agreements in place for the Funds of Funds. The Board noted that PIMCO is continuing waivers for these Funds of Funds, as well as for certain other Portfolios of the Trust.

Based on the information presented by PIMCO, Research Affiliates and Broadridge, members of the Board determined, in the exercise of their business judgment, that the level of the advisory fees and supervisory and administrative fees charged by PIMCO under the Agreements, as well as the total expenses of each Portfolio, after the proposals to decrease the management fee, are reasonable.

5. ADVISER COSTS, LEVEL OF PROFITS AND ECONOMIES OF SCALE

The Board reviewed information regarding PIMCO's costs of providing services to the Funds as a whole, as well as the resulting level of profits to PIMCO under both the adjusted asset profitability method and the profit and loss profitability method, which were each utilized to calculate profitability. To the extent applicable, the Board also reviewed information regarding the portion of a Portfolio's advisory fee retained by PIMCO, following the payment of sub-advisory fees to Research Affiliates, with respect to the Portfolio. Additionally, the Board noted that profit margins with respect to the Trust shows that the Trust is profitable, although less so than PIMCO Funds due to payments made by PIMCO to participating insurance companies. The Board further noted PIMCO's engagement of a third party to review and to make recommendations regarding PIMCO's processes supporting its profitability estimation materials. The Board also noted that it had received information regarding the structure and manner in which PIMCO's investment professionals were compensated, and PIMCO's view of the relationship of such compensation to the attraction and retention of quality personnel. The Board considered PIMCO's need to invest in global infrastructure, technology capabilities, risk management processes and qualified personnel to reinforce and offer new services and to accommodate changing regulatory requirements.

With respect to potential economies of scale, the Board noted that PIMCO shares the benefits of economies of scale with the Portfolios and their shareholders in a number of ways, including investing in portfolio and trade operations management, firm technology, middle and back office support, legal and compliance, and fund administration logistics, senior management supervision, governance and oversight of those services, and through fee reductions or waivers, the pricing of Portfolios to scale from inception, and the enhancement of services provided to the Portfolios in return for fees paid. The Board reviewed the history of the Portfolios' fee structure. The Board considered that the Portfolios' unified fee rates had been set competitively and/or priced to scale from inception, had been held steady during the contractual period at that scaled competitive rate for most Portfolios as assets grew, or as assets declined in the case of some Portfolios, and continued to be competitive compared with peers. The Board also considered that the unified fee is a transparent means of informing a Portfolio's shareholders of the fees associated with the Portfolio, and that the Portfolio bears certain expenses that are not covered by the advisory fee or the unified fee. The Board further considered the challenges that arise when managing large funds, which can result in certain "diseconomies" of scale and noted that PIMCO has continued to reinvest in many areas of the business to support the Portfolios.

The Trustees considered that the unified fee has provided inherent economies of scale because a Portfolio maintains competitive fixed fees over the annual contract period even if the particular Portfolio's assets decline and/or operating costs rise. The Trustees further considered that, in contrast, breakpoints may be a proxy for charging higher fees on lower asset levels and that when a fund's assets decline, breakpoints may reverse, which causes expense ratios to increase. The Trustees also considered that, unlike the Portfolios' unified fee structure, funds with "pass through" administrative fee structures may experience increased expense ratios when fixed dollar fees are charged against declining fund assets. The Trustees also considered that the unified fee protects shareholders from a rise in operating costs that may result from, among other things, PIMCO's investments in various business enhancements and infrastructure, including those referenced above. The Trustees noted that PIMCO's investments in these areas are extensive.

The Board concluded that the Portfolios' cost structures were reasonable and that PIMCO is appropriately sharing economies of scale, if any, through the Portfolios' unified fee structure, generally pricing Portfolios to scale at inception and reinvesting in its business to provide enhanced and expanded services to the Portfolios and their shareholders.

6. ANCILLARY BENEFITS

The Board considered other benefits realized by PIMCO and its affiliates as a result of PIMCO's relationship with the Trust. Such benefits may include possible ancillary benefits to PIMCO's institutional investment management business due to the reputation and market penetration of the Trust or third party service providers' relationship-level fee concessions, which decrease fees paid by PIMCO. The Board also considered that affiliates of PIMCO provide distribution and/or shareholder services to the Portfolios and their shareholders, for which they may be compensated through distribution and servicing fees paid pursuant to the Portfolios' Rule 12b-1 plans or otherwise. The Board reviewed PIMCO's soft dollar policies and procedures, noting that while PIMCO has the authority to receive the benefit of research provided by broker-dealers executing portfolio transactions on behalf of the Portfolios, it has adopted a policy not to enter into contractual soft dollar arrangements.

7. CONCLUSIONS

Based on their review, including their comprehensive consideration and evaluation of each of the broad factors and information summarized above, the Independent Trustees and the Board as a whole concluded that the nature, extent and quality of the services rendered to the Portfolios by PIMCO and Research Affiliates supported the renewal of the Agreements and the Asset Allocation Agreement. The Independent Trustees and the Board as a whole concluded that the Agreements and the Asset Allocation Agreement continued to be fair and reasonable to the Portfolios and their shareholders, that the Portfolios' shareholders received reasonable value in return for the fees paid to PIMCO by the Portfolios under the Agreements and the fees paid to Research Affiliates by PIMCO under the Asset Allocation Agreement, and that the renewal of the Agreements and the Asset Allocation Agreement was in the best interests of the Portfolios and their shareholders.

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This report is submitted for the general information of the shareholders of the Portfolio listed on the Report cover.

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PIMCO

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