

# SEMIANNUAL REPORTS

**For Period Ended June 30, 2018**

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

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

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

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

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

MEMBERS® Variable Annuity  
MEMBERS® Variable Universal Life  
MEMBERS® Variable Universal Life II  
UltraVers-ALL LIFE<sup>SM</sup>

**Distributed by:**

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## SEMIANNUAL REPORTS

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

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

If you own a MEMBERS® Variable Annuity, MEMBERS® Variable Universal Life, UltraVers-ALL LIFE<sup>SM</sup> or MEMBERS® Variable Universal Life II, you will also receive a booklet that contains the semiannual report for that product as well as a semiannual report for other mutual funds in which the CMFG Variable Annuity Account and CMFG Variable Life Insurance Account invest.

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

If you have questions, please call CMFG Life Insurance Company at 1.800.798.5500.

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

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**CMFG Variable Life Insurance Account**  
**Statements of Assets and Liabilities**  
**As of June 30, 2018 (Unaudited)**

	Templeton Developing Markets VIP Fund, Class 2, Subaccount	MFS® Strategic Income Portfolio, Initial Class, Subaccount	Oppenheimer Global Strategic Income Fund/VA, Non-Service Shares, Subaccount	T. Rowe Price International Stock Portfolio, Subaccount
<b>Assets</b>				
Investments in mutual funds at fair value	\$ 10,898	\$ 224,530	\$ 8,238	\$ 6,323,853
Total assets	10,898	224,530	8,238	6,323,853
<b>Liabilities</b>				
	-	-	-	-
Net assets	\$ 10,898	\$ 224,530	\$ 8,238	\$ 6,323,853
<b>Net assets</b>				
Net assets: type 1	\$ -	\$ 224,338	\$ -	\$ 6,235,902
Net assets: type 2	10,898	192	8,238	87,951
Total net assets	\$ 10,898	\$ 224,530	\$ 8,238	\$ 6,323,853
Number of shares outstanding	1,166	23,413	1,742	373,089
Net asset value per share	\$ 9.35	\$ 9.59	\$ 4.73	\$ 16.95
Cost of mutual fund shares	\$ 8,580	\$ 234,241	\$ 9,464	\$ 5,322,978

	Ultra Series Aggressive Allocation Fund, Class I, Subaccount	Ultra Series Core Bond Fund, Class I, Subaccount	Ultra Series Conservative Allocation Fund, Class I, Subaccount	Ultra Series Diversified Income Fund, Class I, Subaccount
<b>Assets</b>				
Investments in mutual funds at fair value	\$ 1,122,609	\$ 5,816,831	\$ 155,185	\$ 52,852,598
Total assets	1,122,609	5,816,831	155,185	52,852,598
<b>Liabilities</b>				
	-	-	-	-
Net assets	\$ 1,122,609	\$ 5,816,831	\$ 155,185	\$ 52,852,598
<b>Net assets</b>				
Net assets: type 1	\$ -	\$ 3,800,071	\$ -	\$ 45,281,042
Net assets: type 2	1,122,609	2,016,760	155,185	7,571,556
Total net assets	\$ 1,122,609	\$ 5,816,831	\$ 155,185	\$ 52,852,598
Number of shares outstanding	111,370	607,603	15,309	2,756,458
Net asset value per share	\$ 10.08	\$ 9.57	\$ 10.14	\$ 19.17
Cost of mutual fund shares	\$ 1,093,912	\$ 6,228,504	\$ 158,225	\$ 48,661,207

See accompanying notes to financial statements

**CMFG Variable Life Insurance Account**  
**Statements of Assets and Liabilities (continued)**  
**As of June 30, 2018 (Unaudited)**

	Ultra Series High Income Fund, Class I, Subaccount	Ultra Series International Stock Fund, Class I, Subaccount	Ultra Series Large Cap Growth Fund, Class I, Subaccount	Ultra Series Large Cap Value Fund, Class I, Subaccount
<b>Assets</b>				
Investments in mutual funds at fair value	\$ 953,305	\$ 2,540,046	\$ 40,678,856	\$ 76,249,199
Total assets	953,305	2,540,046	40,678,856	76,249,199
<b>Liabilities</b>				
	-	-	-	-
Net assets	\$ 953,305	\$ 2,540,046	\$ 40,678,856	\$ 76,249,199
<b>Net assets</b>				
Net assets: type 1	\$ -	\$ -	\$ 32,109,975	\$ 67,240,431
Net assets: type 2	953,305	2,540,046	8,568,881	9,008,768
Total net assets	\$ 953,305	\$ 2,540,046	\$ 40,678,856	\$ 76,249,199
Number of shares outstanding	111,483	222,581	1,538,052	2,662,555
Net asset value per share	\$ 8.55	\$ 11.41	\$ 26.45	\$ 28.64
Cost of mutual fund shares	\$ 1,040,407	\$ 2,451,887	\$ 35,274,470	\$ 72,214,356

	Ultra Series Mid Cap Fund, Class I, Subaccount	Ultra Series Moderate Allocation Fund, Class I, Subaccount	Vanguard VIF Money Market Portfolio, Subaccount
<b>Assets</b>			
Investments in mutual funds at fair value	\$ 20,929,330	\$ 2,155,616	\$ 1,839,909
Total assets	20,929,330	2,155,616	1,839,909
<b>Liabilities</b>			
	-	-	-
Net assets	\$ 20,929,330	\$ 2,155,616	\$ 1,839,909
<b>Net assets</b>			
Net assets: type 1	\$ 10,772,992	\$ -	\$ 912,680
Net assets: type 2	10,156,338	2,155,616	927,229
Total net assets	\$ 20,929,330	\$ 2,155,616	\$ 1,839,909
Number of shares outstanding	1,069,203	200,172	1,839,909
Net asset value per share	\$ 19.57	\$ 10.77	\$ 1.00
Cost of mutual fund shares	\$ 17,359,748	\$ 2,075,398	\$ 1,839,909

See accompanying notes to financial statements



**CMFG Variable Life Insurance Account**  
**Statements of Operations**  
**For the Period Ended June 30, 2018 (Unaudited)**

	Templeton Developing Markets VIP Fund, Class 2, Subaccount	MFS® Strategic Income Portfolio, Initial Class, Subaccount	Oppenheimer Global Strategic Income Fund/VA, Non-Service Shares, Subaccount	T. Rowe Price International Stock Portfolio, Subaccount
<b>Investment income (loss)</b>				
Dividend Income	\$ 102	\$ -	\$ 411	\$ -
Mortality and expense charges (note 3)	(57)	(1,039)	(39)	(29,752)
Net investment income (loss)	45	(1,039)	372	(29,752)
<b>Realized gain (loss) on sale of fund shares</b>				
Net realized gain (loss) on sale of fund shares	262	(340)	(66)	46,879
Realized gain distributions	-	-	-	-
Net realized gain (loss) on investments	262	(340)	(66)	46,879
<b>Net change in unrealized appreciation (depreciation) on investments</b>	(1,344)	(5,696)	(595)	(196,673)
<b>Net increase (decrease) in net assets resulting from operations</b>	<u>\$ (1,037)</u>	<u>\$ (7,075)</u>	<u>\$ (289)</u>	<u>\$ (179,546)</u>

	Ultra Series Aggressive Allocation Fund, Class I, Subaccount	Ultra Series Core Bond Fund, Class I, Subaccount	Ultra Series Conservative Allocation Fund, Class I, Subaccount	Ultra Series Diversified Income Fund, Class I, Subaccount
<b>Investment income (loss)</b>				
Dividend Income	\$ 428	\$ 4,452	\$ 168	\$ 30,620
Mortality and expense charges (note 3)	(5,149)	(26,506)	(715)	(243,555)
Net investment income (loss)	(4,721)	(22,054)	(547)	(212,935)
<b>Realized gain (loss) on sale of fund shares</b>				
Net realized gain (loss) on sale of fund shares	2,419	(16,037)	(272)	219,484
Realized gain distributions	3,439	-	27	194,819
Net realized gain (loss) on investments	5,858	(16,037)	(245)	414,303
<b>Net change in unrealized appreciation (depreciation) on investments</b>	(6,561)	(99,454)	(961)	(1,257,129)
<b>Net increase (decrease) in net assets resulting from operations</b>	<u>\$ (5,424)</u>	<u>\$ (137,545)</u>	<u>\$ (1,753)</u>	<u>\$ (1,055,761)</u>

See accompanying notes to financial statements

**CMFG Variable Life Insurance Account**  
**Statements of Operations (continued)**  
**For the Period Ended June 30, 2018 (Unaudited)**

	Ultra Series High Income Fund, Class I, Subaccount	Ultra Series International Stock Fund, Class I, Subaccount	Ultra Series Large Cap Growth Fund, Class I, Subaccount	Ultra Series Large Cap Value Fund, Class I, Subaccount
<b>Investment income (loss)</b>				
Dividend Income	\$ 1,181	\$ 1,378	\$ 5,873	\$ 25,560
Mortality and expense charges (note 3)	(4,346)	(12,023)	(186,171)	(350,900)
Net investment income (loss)	(3,165)	(10,645)	(180,298)	(325,340)
<b>Realized gain (loss) on sale of fund shares</b>				
Net realized gain (loss) on sale of fund shares	(4,648)	10,457	216,389	173,649
Realized gain distributions	-	-	459,079	318,409
Net realized gain (loss) on investments	(4,648)	10,457	675,468	492,058
<b>Net change in unrealized appreciation (depreciation) on investments</b>	(7,269)	(79,736)	(353,836)	271,144
<b>Net increase (decrease) in net assets resulting from operations</b>	<u>\$ (15,082)</u>	<u>\$ (79,924)</u>	<u>\$ 141,334</u>	<u>\$ 437,862</u>

	Ultra Series Mid Cap Fund, Class I, Subaccount	Ultra Series Moderate Allocation Fund, Class I, Subaccount	Vanguard VIF Money Market Portfolio, Subaccount
<b>Investment income (loss)</b>			
Dividend Income	\$ -	\$ 765	\$ 15,915
Mortality and expense charges (note 3)	(94,158)	(9,682)	(8,538)
Net investment income (loss)	(94,158)	(8,917)	7,377
<b>Realized gain (loss) on sale of fund shares</b>			
Net realized gain (loss) on sale of fund shares	161,125	3,314	-
Realized gain distributions	42,121	5,586	-
Net realized gain (loss) on investments	203,246	8,900	-
<b>Net change in unrealized appreciation (depreciation) on investments</b>	497,542	(18,621)	-
<b>Net increase (decrease) in net assets resulting from operations</b>	<u>\$ 606,630</u>	<u>\$ (18,638)</u>	<u>\$ 7,377</u>

See accompanying notes to financial statements

**CMFG Variable Life Insurance Account**  
**Statements of Changes in Net Assets**

	Templeton		MFS®	
	Developing Markets VIP		Strategic Income Portfolio,	
	Fund, Class 2, Subaccount		Initial Class, Subaccount	
	Period Ended	Year Ended	Period Ended	Year Ended
	June 30, 2018*	December 31, 2017	June 30, 2018*	December 31, 2017
<b>Increase (decrease) in net assets from operations</b>				
Net investment income (loss)	\$ 45	\$ 10	\$ (1,039)	\$ 9,094
Net realized gain (loss) on investments	262	324	(340)	(162)
Net change in unrealized appreciation (depreciation) on investments	(1,344)	3,616	(5,696)	3,681
Net increase (decrease) in net assets resulting from operations	(1,037)	3,950	(7,075)	12,613
<b>Contract transactions</b>				
Payments received from contract owners	-	-	-	-
Transfers between subaccounts (including fixed accounts), net	-	(6)	(14)	(358)
Payment for contract benefits and terminations	(678)	(606)	(875)	(1,480)
Contract charges and fees	(355)	(798)	(7,231)	(14,755)
Net increase (decrease) in net assets from contract transactions	(1,033)	(1,410)	(8,120)	(16,593)
Total increase (decrease) in net assets	(2,070)	2,540	(15,195)	(3,980)
<b>Net assets</b>				
Beginning of period	12,968	10,428	239,725	243,705
End of period	\$ 10,898	\$ 12,968	\$ 224,530	\$ 239,725

	Oppenheimer		T. Rowe Price	
	Global Strategic Income Fund/VA,		International Stock	
	Non-Service Shares, Subaccount		Portfolio, Subaccount	
	Period Ended	Year Ended	Period Ended	Year Ended
	June 30, 2018*	December 31, 2017	June 30, 2018*	December 31, 2017
<b>Increase (decrease) in net assets from operations</b>				
Net investment income (loss)	\$ 372	\$ 136	\$ (29,752)	\$ 13,113
Net realized gain (loss) on investments	(66)	(68)	46,879	358,283
Net change in unrealized appreciation (depreciation) on investments	(595)	439	(196,673)	1,086,461
Net increase (decrease) in net assets resulting from operations	(289)	507	(179,546)	1,457,857
<b>Contract transactions</b>				
Payments received from contract owners	-	-	195,011	373,840
Transfers between subaccounts (including fixed accounts), net	25	(30)	8,558	(16,970)
Payment for contract benefits and terminations	(765)	(289)	(167,684)	(403,217)
Contract charges and fees	(205)	(439)	(192,056)	(380,206)
Net increase (decrease) in net assets from contract transactions	(945)	(758)	(156,171)	(426,553)
Total increase (decrease) in net assets	(1,234)	(251)	(335,717)	1,031,304
<b>Net assets</b>				
Beginning of period	9,472	9,723	6,659,570	5,628,266
End of period	\$ 8,238	\$ 9,472	\$ 6,323,853	\$ 6,659,570

\*Unaudited

See accompanying notes to financial statements

**CMFG Variable Life Insurance Account**  
**Statements of Changes in Net Assets (continued)**

	Ultra Series Aggressive Allocation Fund, Class I, Subaccount		Ultra Series Core Bond Fund, Class I, Subaccount	
	Period Ended	Year Ended	Period Ended	Year Ended
	June 30, 2018*	December 31, 2017	June 30, 2018*	December 31, 2017
<b>Increase (decrease) in net assets from operations</b>				
Net investment income (loss)	\$ (4,721)	\$ 9,104	\$ (22,054)	\$ 124,132
Net realized gain (loss) on investments	5,858	83,175	(16,037)	(19,669)
Net change in unrealized appreciation (depreciation) on investments	(6,561)	88,724	(99,454)	31,325
Net increase (decrease) in net assets resulting from operations	(5,424)	181,003	(137,545)	135,788
<b>Contract transactions</b>				
Payments received from contract owners	37,245	74,140	165,125	332,498
Transfers between subaccounts (including fixed accounts), net	(15,668)	5,227	29,570	76,501
Payment for contract benefits and terminations	(18,652)	(126,819)	(142,174)	(386,006)
Contract charges and fees	(22,730)	(48,198)	(177,567)	(372,687)
Net increase (decrease) in net assets from contract transactions	(19,805)	(95,650)	(125,046)	(349,694)
Total increase (decrease) in net assets	(25,229)	85,353	(262,591)	(213,906)
<b>Net assets</b>				
Beginning of period	1,147,838	1,062,485	6,079,422	6,293,328
End of period	\$ 1,122,609	\$ 1,147,838	\$ 5,816,831	\$ 6,079,422

	Ultra Series Conservative Allocation Fund, Class I, Subaccount		Ultra Series Diversified Income Fund, Class I, Subaccount	
	Period Ended	Year Ended	Period Ended	Year Ended
	June 30, 2018*	December 31, 2017	June 30, 2018*	December 31, 2017
<b>Increase (decrease) in net assets from operations</b>				
Net investment income (loss)	\$ (547)	\$ 1,298	\$ (212,935)	\$ 718,691
Net realized gain (loss) on investments	(245)	5,681	414,303	2,709,910
Net change in unrealized appreciation (depreciation) on investments	(961)	17,003	(1,257,129)	2,840,884
Net increase (decrease) in net assets resulting from operations	(1,753)	23,982	(1,055,761)	6,269,485
<b>Contract transactions</b>				
Payments received from contract owners	4,237	11,115	1,330,023	2,734,033
Transfers between subaccounts (including fixed accounts), net	658	(79,700)	151,980	(162,499)
Payment for contract benefits and terminations	(21,408)	(62,579)	(1,762,223)	(2,392,617)
Contract charges and fees	(5,681)	(18,836)	(1,617,893)	(3,296,794)
Net increase (decrease) in net assets from contract transactions	(22,194)	(150,000)	(1,898,113)	(3,117,877)
Total increase (decrease) in net assets	(23,947)	(126,018)	(2,953,874)	3,151,608
<b>Net assets</b>				
Beginning of period	179,132	305,150	55,806,472	52,654,864
End of period	\$ 155,185	\$ 179,132	\$ 52,852,598	\$ 55,806,472

\*Unaudited

See accompanying notes to financial statements

**CMFG Variable Life Insurance Account**  
**Statements of Changes in Net Assets (continued)**

	Ultra Series High Income Fund, Class I, Subaccount		Ultra Series International Stock Fund, Class I, Subaccount	
	Period Ended June 30, 2018*	Year Ended December 31, 2017	Period Ended June 30, 2018*	Year Ended December 31, 2017
<b>Increase (decrease) in net assets from operations</b>				
Net investment income (loss)	\$ (3,165)	\$ 39,991	\$ (10,645)	\$ 9,939
Net realized gain (loss) on investments	(4,648)	(4,987)	10,457	(824)
Net change in unrealized appreciation (depreciation) on investments	(7,269)	19,786	(79,736)	481,821
Net increase (decrease) in net assets resulting from operations	(15,082)	54,790	(79,924)	490,936
<b>Contract transactions</b>				
Payments received from contract owners	19,417	37,464	77,855	154,557
Transfers between subaccounts (including fixed accounts), net	15,793	(14,545)	4,061	3,115
Payment for contract benefits and terminations	(51,375)	(64,634)	(131,617)	(119,150)
Contract charges and fees	(17,974)	(40,689)	(51,908)	(104,349)
Net increase (decrease) in net assets from contract transactions	(34,139)	(82,404)	(101,609)	(65,827)
Total increase (decrease) in net assets	(49,221)	(27,614)	(181,533)	425,109
<b>Net assets</b>				
Beginning of period	1,002,526	1,030,140	2,721,579	2,296,470
End of period	\$ 953,305	\$ 1,002,526	\$ 2,540,046	\$ 2,721,579

	Ultra Series Large Cap Growth Fund, Class I, Subaccount		Ultra Series Large Cap Value Fund, Class I, Subaccount	
	Period Ended June 30, 2018*	Year Ended December 31, 2017	Period Ended June 30, 2018*	Year Ended December 31, 2017
<b>Increase (decrease) in net assets from operations</b>				
Net investment income (loss)	\$ (180,298)	\$ (47,287)	\$ (325,340)	\$ 1,096,498
Net realized gain (loss) on investments	675,468	5,647,511	492,058	4,503,956
Net change in unrealized appreciation (depreciation) on investments	(353,836)	1,902,101	271,144	4,908,074
Net increase (decrease) in net assets resulting from operations	141,334	7,502,325	437,862	10,508,528
<b>Contract transactions</b>				
Payments received from contract owners	939,860	1,858,321	1,817,634	3,623,071
Transfers between subaccounts (including fixed accounts), net	(92,554)	(192,946)	208,181	(282,542)
Payment for contract benefits and terminations	(1,094,633)	(1,758,483)	(2,245,326)	(4,012,932)
Contract charges and fees	(946,521)	(1,898,979)	(1,942,238)	(3,900,221)
Net increase (decrease) in net assets from contract transactions	(1,193,848)	(1,992,087)	(2,161,749)	(4,572,624)
Total increase (decrease) in net assets	(1,052,514)	5,510,238	(1,723,887)	5,935,904
<b>Net assets</b>				
Beginning of period	41,731,370	36,221,132	77,973,086	72,037,182
End of period	\$ 40,678,856	\$ 41,731,370	\$ 76,249,199	\$ 77,973,086

\*Unaudited

**CMFG Variable Life Insurance Account**  
**Statements of Changes in Net Assets (continued)**

	Ultra Series Mid Cap Fund, Class I, Subaccount		Ultra Series Moderate Allocation Fund, Class I, Subaccount	
	Period Ended	Year Ended	Period Ended	Year Ended
	June 30, 2018*	December 31, 2017	June 30, 2018*	December 31, 2017
<b>Increase (decrease) in net assets from operations</b>				
Net investment income (loss)	\$ (94,158)	\$ (181,355)	\$ (8,917)	\$ 23,919
Net realized gain (loss) on investments	203,246	2,323,916	8,900	128,158
Net change in unrealized appreciation (depreciation) on investments	497,542	640,741	(18,621)	113,440
Net increase (decrease) in net assets resulting from operations	606,630	2,783,302	(18,638)	265,517
<b>Contract transactions</b>				
Payments received from contract owners	496,569	983,449	55,856	111,784
Transfers between subaccounts (including fixed accounts), net	(62,046)	(133,986)	1,771	64,281
Payment for contract benefits and terminations	(792,202)	(1,018,142)	(23,820)	(111,732)
Contract charges and fees	(466,909)	(924,759)	(45,428)	(94,048)
Net increase (decrease) in net assets from contract transactions	(824,588)	(1,093,438)	(11,621)	(29,715)
Total increase (decrease) in net assets	(217,958)	1,689,864	(30,259)	235,802
<b>Net assets</b>				
Beginning of period	21,147,288	19,457,424	2,185,875	1,950,073
End of period	\$ 20,929,330	\$ 21,147,288	\$ 2,155,616	\$ 2,185,875

	Vanguard VIF Money Market Portfolio, Subaccount	
	Period Ended	Year Ended
	June 30, 2018*	December 31, 2017
<b>Increase (decrease) in net assets from operations</b>		
Net investment income (loss)	\$ 7,377	\$ 2,037
Net realized gain (loss) on investments	-	-
Net change in unrealized appreciation (depreciation) on investments	-	-
Net increase (decrease) in net assets resulting from operations	7,377	2,037
<b>Contract transactions</b>		
Payments received from contract owners	112,655	228,639
Transfers between subaccounts (including fixed accounts), net	(265,223)	267,268
Payment for contract benefits and terminations	(71,141)	(110,031)
Contract charges and fees	(107,749)	(229,932)
Net increase (decrease) in net assets from contract transactions	(331,458)	155,944
Total increase (decrease) in net assets	(324,081)	157,981
<b>Net assets</b>		
Beginning of period	2,163,990	2,006,009
End of period	\$ 1,839,909	\$ 2,163,990

\*Unaudited

See accompanying notes to financial statements

# **CMFG Variable Life Insurance Account**

## **Notes to Financial Statements (Unaudited)**

### **(1) Organization**

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

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

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

#### **Franklin Templeton Variable Insurance Products Trust**

Templeton Developing Markets VIP Fund <sup>(1)</sup>

#### **MFS® Variable Insurance Trust II**

MFS® Strategic Income Portfolio

#### **Oppenheimer Variable Account Funds**

Oppenheimer Global Strategic Income Fund/VA <sup>(1)</sup>

#### **T. Rowe Price International Series, Inc.**

T. Rowe Price International Stock Portfolio

#### **Ultra Series Fund**

Aggressive Allocation Fund <sup>(1)</sup>

Core Bond Fund

Conservative Allocation Fund <sup>(1)</sup>

Diversified Income Fund

High Income Fund <sup>(1)</sup>

International Stock Fund <sup>(1)</sup>

Large Cap Growth Fund

Large Cap Value Fund

Mid Cap Fund

Moderate Allocation Fund <sup>(1)</sup>

#### **Vanguard Variable Insurance Fund**

Vanguard VIF Money Market Portfolio

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

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

### **(2) Significant Accounting Policies**

#### *Basis of Presentation*

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

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

**CMFG Variable Life Insurance Account**  
**Notes to Financial Statements (Unaudited)**

**(2) Significant Accounting Policies (continued)**

*Investment Valuation*

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

*Federal Income Taxes*

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

**(3) Fees and Charges**

*Contract Charges*

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

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

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

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

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

**Cost of Insurance and Additional Benefits Provided:** The Company is responsible for providing the insurance benefits stated in the contract. The cost of insurance is determined each month based upon the applicable cost of insurance rates and the net amount at risk. The cost of insurance can vary from month to month since the determination of both the insurance rate and the net amount at risk depends upon a number of variables such as the death benefit option selected by the contract owner, the benefit amount specified in the contract, and the cash value, all as described in the Account's prospectus. Several riders are available on the contracts that provide additional benefits, including children's insurance, guaranteed insurability, accidental death benefit, other insured term rider, and disability waiver of deductions or premium which can also impact the cost of insurance.



**CMFG Variable Life Insurance Account**  
**Notes to Financial Statements (Unaudited)**

**(3) Fees and Charges (continued)**

*Account Charges*

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

**(4) Fair Value**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

**CMFG Variable Life Insurance Account**  
**Notes to Financial Statements (Unaudited)**

**(4) Fair Value (continued)**

The following table summarizes the Account's assets that are measured at fair value as of June 30, 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.

<b>June 30, 2018 Assets, at Fair Value</b>	<b>Total</b>
Templeton Developing Markets VIP Fund, Class 2, Subaccount	\$ 10,898
MFS® Strategic Income Portfolio, Initial Class, Subaccount	224,530
Oppenheimer Global Strategic Income Fund/VA, Non-Service Shares, Subaccount	8,238
T. Rowe Price International Stock Portfolio, Subaccount	6,323,853
Ultra Series Aggressive Allocation Fund, Class I, Subaccount	1,122,609
Ultra Series Core Bond Fund, Class I, Subaccount	5,816,831
Ultra Series Conservative Allocation Fund, Class I, Subaccount	155,185
Ultra Series Diversified Income Fund, Class I, Subaccount	52,852,598
Ultra Series High Income Fund, Class I, Subaccount	953,305
Ultra Series International Stock Fund, Class I, Subaccount	2,540,046
Ultra Series Large Cap Growth Fund, Class I, Subaccount	40,678,856
Ultra Series Large Cap Value Fund, Class I, Subaccount	76,249,199
Ultra Series Mid Cap Fund, Class I, Subaccount	20,929,330
Ultra Series Moderate Allocation Fund, Class I, Subaccount	2,155,616
Vanguard VIF Money Market Portfolio, Subaccount	1,839,909

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.

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

There were no Level 3 investments in the Account, therefore, Level 3 roll-forward tables have not been provided. There were no transfers between levels during the period ended June 30, 2018 and for the year ended December 31, 2017.

**CMFG Variable Life Insurance Account**  
**Notes to Financial Statements (Unaudited)**

**(5) Purchases and Sales of Investments**

The cost of purchases and proceeds from sales of investments in the various subaccounts for the period ended June 30, 2018 are as follows:

<b>Period Ended June 30, 2018</b>	<b>Purchases</b>	<b>Sales</b>
Templeton Developing Markets VIP Fund, Class 2, Subaccount	\$ 106	\$ 1,094
MFS® Strategic Income Portfolio, Initial Class, Subaccount	36	9,196
Oppenheimer Global Strategic Income Fund/VA, Non-Service Shares, Subaccount	431	1,005
T. Rowe Price International Stock Portfolio, Subaccount	74,742	260,664
Ultra Series Aggressive Allocation Fund, Class I, Subaccount	32,345	53,433
Ultra Series Core Bond Fund, Class I, Subaccount	82,616	229,716
Ultra Series Conservative Allocation Fund, Class I, Subaccount	3,615	26,329
Ultra Series Diversified Income Fund, Class I, Subaccount	528,391	2,444,620
Ultra Series High Income Fund, Class I, Subaccount	18,750	56,054
Ultra Series International Stock Fund, Class I, Subaccount	34,565	146,818
Ultra Series Large Cap Growth Fund, Class I, Subaccount	617,959	1,533,025
Ultra Series Large Cap Value Fund, Class I, Subaccount	705,401	2,874,082
Ultra Series Mid Cap Fund, Class I, Subaccount	157,293	1,033,919
Ultra Series Moderate Allocation Fund, Class I, Subaccount	51,145	66,096
Vanguard VIF Money Market Portfolio, Subaccount	145,733	469,814

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

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

**CMFG Variable Life Insurance Account**  
**Notes to Financial Statements (Unaudited)**

**(6) Changes in Units Outstanding**

The changes in units outstanding for period ended June 30, 2018 and the year ended December 31, 2017 were as follows:

	Templeton Developing Markets VIP Fund, Class 2, Subaccount		MFS® Strategic Income Portfolio, Initial Class, Subaccount	
	Type 1 ^	Type 2	Type 1	Type 2
<b>Units outstanding at December 31, 2016</b>	-	589	9,614	10
Units issued	-	-	-	-
Units redeemed	-	(63)	(627)	(1)
<b>Units outstanding at December 31, 2017</b>	-	<b>526</b>	<b>8,987</b>	<b>9</b>
Units issued	-	-	-	-
Units redeemed	-	(44)	(312)	-
<b>Units outstanding at June 30, 2018</b>	-	<b>482</b>	<b>8,675</b>	<b>9</b>

	Oppenheimer Global Strategic Income Fund/VA, Non-Service Shares, Subaccount		T. Rowe Price International Stock Portfolio, Subaccount	
	Type 1 ^	Type 2	Type 1	Type 2
<b>Units outstanding at December 31, 2016</b>	-	2,114	270,131	6,704
Units issued	-	2	22,762	1
Units redeemed	-	(155)	(40,540)	(610)
<b>Units outstanding at December 31, 2017</b>	-	<b>1,961</b>	<b>252,353</b>	<b>6,095</b>
Units issued	-	-	9,754	-
Units redeemed	-	(201)	(15,726)	(347)
<b>Units outstanding at June 30, 2018</b>	-	<b>1,760</b>	<b>246,381</b>	<b>5,748</b>

	Ultra Series Aggressive Allocation Fund, Class I, Subaccount		Ultra Series Core Bond Fund, Class I, Subaccount	
	Type 1 ^	Type 2	Type 1	Type 2
<b>Units outstanding at December 31, 2016</b>	-	87,705	85,622	121,354
Units issued	-	9,611	5,925	109,465
Units redeemed	-	(16,766)	(11,066)	(114,866)
<b>Units outstanding at December 31, 2017</b>	-	<b>80,550</b>	<b>80,481</b>	<b>115,953</b>
Units issued	-	4,399	2,442	58,849
Units redeemed	-	(5,781)	(4,732)	(59,690)
<b>Units outstanding at June 30, 2018</b>	-	<b>79,168</b>	<b>78,191</b>	<b>115,112</b>

^ This Subaccount is not available in this product type.

**CMFG Variable Life Insurance Account**  
**Notes to Financial Statements (Unaudited)**

**(6) Changes in Units Outstanding (continued)**

	Ultra Series Conservative Allocation Fund, Class I, Subaccount		Ultra Series Diversified Income Fund, Class I, Subaccount	
	Type 1 ^	Type 2	Type 1	Type 2
<b>Units outstanding at December 31, 2016</b>	-	23,609	472,265	382,407
Units issued	-	2,534	28,979	94,487
Units redeemed	-	(13,439)	(56,611)	(110,701)
<b>Units outstanding at December 31, 2017</b>	-	<b>12,704</b>	<b>444,633</b>	<b>366,193</b>
Units issued	-	1,210	13,771	46,583
Units redeemed	-	(2,782)	(28,711)	(60,447)
<b>Units outstanding at June 30, 2018</b>	-	<b>11,132</b>	<b>429,693</b>	<b>352,329</b>

	Ultra Series High Income Fund, Class I, Subaccount		Ultra Series International Stock Fund, Class I, Subaccount	
	Type 1 ^	Type 2	Type 1 ^	Type 2
<b>Units outstanding at December 31, 2016</b>	-	<b>48,681</b>	-	<b>102,212</b>
Units issued	-	41,533	-	108,562
Units redeemed	-	(45,278)	-	(111,082)
<b>Units outstanding at December 31, 2017</b>	-	<b>44,936</b>	-	<b>99,692</b>
Units issued	-	21,598	-	52,051
Units redeemed	-	(23,123)	-	(55,747)
<b>Units outstanding at June 30, 2018</b>	-	<b>43,411</b>	-	<b>95,996</b>

	Ultra Series Large Cap Growth Fund, Class I, Subaccount		Ultra Series Large Cap Value Fund, Class I, Subaccount	
	Type 1	Type 2	Type 1	Type 2
<b>Units outstanding at December 31, 2016</b>	542,195	447,453	450,863	491,629
Units issued	37,945	154,985	27,856	210,141
Units redeemed	(64,787)	(177,340)	(55,530)	(235,832)
<b>Units outstanding at December 31, 2017</b>	<b>515,353</b>	<b>425,098</b>	<b>423,189</b>	<b>465,938</b>
Units issued	13,975	73,086	12,317	107,542
Units redeemed	(27,139)	(89,753)	(23,519)	(123,267)
<b>Units outstanding at June 30, 2018</b>	<b>502,189</b>	<b>408,431</b>	<b>411,987</b>	<b>450,213</b>

^ This Subaccount is not available in this product type.

**CMFG Variable Life Insurance Account**  
**Notes to Financial Statements (Unaudited)**

**(6) Changes in Units Outstanding (continued)**

	Ultra Series Mid Cap Fund, Class I, Subaccount		Ultra Series Moderate Allocation Fund, Class I, Subaccount	
	Type 1	Type 2	Type 1 ^	Type 2
<b>Units outstanding at December 31, 2016</b>	321,720	253,826	-	153,345
Units issued	22,051	117,901	-	27,796
Units redeemed	(36,736)	(133,055)	-	(29,869)
<b>Units outstanding at December 31, 2017</b>	<b>307,035</b>	<b>238,672</b>	-	<b>151,272</b>
Units issued	7,893	55,128	-	12,668
Units redeemed	(19,210)	(64,796)	-	(13,408)
<b>Units outstanding at June 30, 2018</b>	<b>295,718</b>	<b>229,004</b>	-	<b>150,532</b>

	Vanguard VIF Money Market Portfolio, Subaccount	
	Type 1	Type 2
<b>Units outstanding at December 31, 2016</b>	96,187	104,412
Units issued	19,004	86,933
Units redeemed	(23,793)	(66,344)
<b>Units outstanding at December 31, 2017</b>	<b>91,398</b>	<b>125,001</b>
Units issued	10,615	24,295
Units redeemed	(11,109)	(56,943)
<b>Units outstanding at June 30, 2018</b>	<b>90,904</b>	<b>92,353</b>

^ This Subaccount is not available in this product type.

**CMFG Variable Life Insurance Account**  
**Notes to Financial Statements (Unaudited)**

**(7) Financial Highlights**

The table below provides financial highlights for each subaccount for the period ended June 30, 2018 and for the four preceeding years ended December 31. In certain instances, fewer years are presented because the subaccount was not available for the entire five-year period.

	<b>Templeton Developing Markets VIP Fund, Class 2, Subaccount</b>									
	<b>6/30/2018</b>		<b>12/31/2017</b>		<b>12/31/2016</b>		<b>12/31/2015</b>		<b>12/31/2014</b>	
	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2
Unit value - Beginning of period	-	\$ 24.64	-	\$17.71	-	\$15.22	-	\$19.10	-	\$21.04
Unit value - End of period	-	\$ 22.62	-	\$24.64	-	\$17.71	-	\$15.22	-	\$19.10
Net assets at end of period (000's)	-	\$ 11	-	\$13	-	\$10	-	\$11	-	\$17
Units outstanding at end of period (000's)	-	0	-	1	-	1	-	1	-	1
Total return (1)	-	-8.20%	-	39.13%	-	16.36%	-	-20.31%	-	-9.22%
Investment income ratio (2)	-	0.81%	-	0.98%	-	0.86%	-	2.07%	-	1.45%
Expense ratio (3)	-	0.90%	-	0.90%	-	0.90%	-	0.90%	-	0.90%

	<b>MFS® Strategic Income Portfolio, Initial Class, Subaccount</b>									
	<b>6/30/2018</b>		<b>12/31/2017</b>		<b>12/31/2016</b>		<b>12/31/2015</b>		<b>12/31/2014</b>	
	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2
Unit value - Beginning of period	\$ 26.65	\$ 23.22	\$25.32	\$21.20	\$ 23.60	\$ 19.84	\$ 24.27	\$ 20.45	\$ 23.72	\$ 19.98
Unit value - End of period	\$ 25.86	\$ 21.33	\$26.65	\$23.22	\$ 25.32	\$ 21.20	\$ 23.60	\$ 19.84	\$ 24.27	\$ 20.45
Net assets at end of period (000's)	\$ 224	\$ -	\$ 240	\$ -	\$ 243	\$ -	\$ 243	\$ -	\$ 269	\$ -
Units outstanding at end of period (000's)	9	-	9	-	10	-	9	-	11	-
Total return (1)	-2.96%	-8.13%	5.25%	9.54%	7.29%	6.85%	-2.76%	-2.98%	2.32%	2.35%
Investment income ratio (2)	0.00%	0.00%	4.62%	4.62%	3.10%	3.10%	5.77%	5.77%	3.20%	3.20%
Expense ratio (3)	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%

	<b>Oppenheimer Global Strategic Income Fund/VA, Non-Service Shares, Subaccount</b>									
	<b>6/30/2018</b>		<b>12/31/2017</b>		<b>12/31/2016</b>		<b>12/31/2015</b>		<b>12/31/2014</b>	
	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2
Unit value - Beginning of period	-	\$ 4.83	-	\$ 4.60	-	\$ 4.35	-	\$ 4.48	-	\$ 4.39
Unit value - End of period	-	\$ 4.68	-	\$ 4.83	-	\$ 4.60	-	\$ 4.35	-	\$ 4.48
Net assets at end of period (000's)	-	\$ 8	-	\$ 9	\$ -	\$ 10	\$ -	\$ 11	-	\$ 13
Units outstanding at end of period (000's)	-	2	-	2	-	2	-	2	-	3
Total return (1)	-	-3.11%	-	5.00%	-	5.75%	-	-2.90%	-	2.05%
Investment income ratio (2)	-	4.77%	-	2.29%	-	4.94%	-	5.73%	-	4.25%
Expense ratio (3)	-	0.90%	-	0.90%	-	0.90%	-	0.90%	-	0.90%

	<b>T. Rowe Price International Stock Portfolio, Subaccount</b>									
	<b>6/30/2018</b>		<b>12/31/2017</b>		<b>12/31/2016</b>		<b>12/31/2015</b>		<b>12/31/2014</b>	
	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2
Unit value - Beginning of period	\$ 26.01	\$ 15.73	\$ 20.53	\$ 12.42	\$ 20.28	\$ 12.27	\$ 20.63	\$ 12.48	\$ 21.05	\$ 12.75
Unit value - End of period	\$ 25.31	\$ 15.30	\$ 26.01	\$ 15.73	\$ 20.53	\$ 12.42	\$ 20.28	\$ 12.27	\$ 20.63	\$ 12.48
Net assets at end of period (000's)	\$ 6,236	\$ 88	\$ 6,564	\$ 96	\$ 5,545	\$ 83	\$ 5,820	\$ 128	\$ 6,421	\$ 153
Units outstanding at end of period (000's)	246	6	252	6	270	7	287	10	311	12
Total return (1)	-2.69%	-2.73%	26.69%	26.65%	1.23%	1.22%	-1.70%	-1.68%	-2.00%	-2.12%
Investment income ratio (2)	0.00%	0.00%	1.10%	1.10%	1.05%	1.05%	0.91%	0.91%	1.04%	1.04%
Expense ratio (3)	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%

^ This Subaccount is not available in this product type.

**CMFG Variable Life Insurance Account**  
**Notes to Financial Statements (Unaudited)**

**(7) Financial Highlights (continued)**

	Ultra Series Aggressive Allocation Fund, Class I, Subaccount									
	6/30/2018		12/31/2017		12/31/2016		12/31/2015		12/31/2014	
	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2
Unit value - Beginning of period	-	\$ 14.25	-	\$ 12.11	-	\$ 11.23	-	\$ 11.47	-	\$ 10.78
Unit value - End of period	-	\$ 14.18	-	\$ 14.25	-	\$ 12.11	-	\$ 11.23	-	\$ 11.47
Net assets at end of period (000's)	-	\$ 1,123	-	\$ 1,148	-	\$ 1,062	-	\$ 969	-	\$ 1,088
Units outstanding at end of period (000's)	-	79	-	81	-	88	-	86	-	95
Total return (1)	-	-0.49%	-	17.67%	-	7.84%	-	-2.09%	-	6.40%
Investment income ratio (2)	-	0.04%	-	1.70%	-	1.89%	-	1.46%	-	1.95%
Expense ratio (3)	-	0.90%	-	0.90%	-	0.90%	-	0.90%	-	0.90%

	Ultra Series Core Bond Fund, Class I, Subaccount									
	6/30/2018		12/31/2017		12/31/2016		12/31/2015		12/31/2014	
	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2
Unit value - Beginning of period	\$ 49.72	\$ 17.92	\$ 48.65	\$ 17.54	\$ 47.80	\$ 17.24	\$ 48.33	\$ 17.43	\$ 46.41	\$ 16.74
Unit value - End of period	\$ 48.60	\$ 17.52	\$ 49.72	\$ 17.92	\$ 48.65	\$ 17.54	\$ 47.80	\$ 17.24	\$ 48.33	\$ 17.43
Net assets at end of period (000's)	\$ 3,800	\$ 2,017	\$ 4,002	\$ 2,078	\$ 4,165	\$ 2,128	\$ 4,313	\$ 2,267	\$ 4,843	\$ 2,536
Units outstanding at end of period (000's)	78	115	80	116	86	121	90	132	100	146
Total return (1)	-2.25%	-2.23%	2.20%	2.17%	1.78%	1.74%	-1.10%	-1.09%	4.14%	4.12%
Investment income ratio (2)	0.08%	0.08%	2.89%	2.89%	2.92%	2.92%	3.02%	3.02%	3.10%	3.10%
Expense ratio (3)	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%

	Ultra Series Conservative Allocation Fund, Class I, Subaccount									
	6/30/2018		12/31/2017		12/31/2016		12/31/2015		12/31/2014	
	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2
Unit value - Beginning of period	-	\$ 14.10	-	\$ 12.92	-	\$ 12.37	-	\$ 12.56	-	\$ 11.96
Unit value - End of period	-	\$ 13.94	-	\$ 14.10	-	\$ 12.92	-	\$ 12.37	-	\$ 12.56
Net assets at end of period (000's)	-	\$ 155	-	\$ 179	-	\$ 305	-	\$ 421	-	\$ 715
Units outstanding at end of period (000's)	-	11	-	13	-	24	-	34	-	57
Total return (1)	-	-1.13%	-	9.13%	-	4.45%	-	-1.51%	-	5.02%
Investment income ratio (2)	-	0.11%	-	1.37%	-	1.51%	-	1.29%	-	2.21%
Expense ratio (3)	-	0.90%	-	0.90%	-	0.90%	-	0.90%	-	0.90%

	Ultra Series Diversified Income Fund, Class I, Subaccount									
	6/30/2018		12/31/2017		12/31/2016		12/31/2015		12/31/2014	
	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2
Unit value - Beginning of period	\$ 107.45	\$ 21.93	\$ 95.68	\$ 19.53	\$ 88.58	\$ 18.08	\$ 89.29	\$ 18.24	\$ 84.13	\$ 17.21
Unit value - End of period	\$ 105.38	\$ 21.49	\$ 107.45	\$ 21.93	\$ 95.68	\$ 19.53	\$ 88.58	\$ 18.08	\$ 89.29	\$ 18.24
Net assets at end of period (000's)	\$ 45,281	\$ 7,572	\$ 47,776	\$ 8,031	\$ 45,186	\$ 7,469	\$ 45,202	\$ 7,358	\$ 49,090	\$ 8,034
Units outstanding at end of period (000's)	430	352	445	366	472	382	510	407	550	440
Total return (1)	-1.93%	-2.01%	12.30%	12.29%	8.02%	8.02%	-0.80%	-0.88%	6.13%	5.98%
Investment income ratio (2)	0.06%	0.06%	2.23%	2.23%	2.41%	2.41%	2.48%	2.48%	2.36%	2.36%
Expense ratio (3)	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%

^ This Subaccount is not available in this product type.



**CMFG Variable Life Insurance Account**  
**Notes to Financial Statements (Unaudited)**

**(7) Financial Highlights (continued)**

Ultra Series High Income Fund, Class I, Subaccount										
	6/30/2018		12/31/2017		12/31/2016		12/31/2015		12/31/2014	
	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2
Unit value - Beginning of period	-	\$ 22.31	-	\$ 21.16	-	\$ 19.02	-	\$ 19.68	-	\$ 19.53
Unit value - End of period	-	\$ 21.96	-	\$ 22.31	-	\$ 21.16	-	\$ 19.02	-	\$ 19.68
Net assets at end of period (000's)	-	\$ 953	-	\$ 1,003	-	\$ 1,030	-	\$ 996	-	\$ 1,100
Units outstanding at end of period (000's)	-	43	-	45	-	49	-	52	-	56
Total return (1)	-	-1.57%	-	5.43%	-	11.25%	-	-3.35%	-	0.77%
Investment income ratio (2)	-	0.12%	-	4.73%	-	5.15%	-	5.57%	-	5.67%
Expense ratio (3)	-	0.90%	-	0.90%	-	0.90%	-	0.90%	-	0.90%

Ultra Series International Stock Fund, Class I, Subaccount										
	6/30/2018		12/31/2017		12/31/2016		12/31/2015		12/31/2014	
	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2
Unit value - Beginning of period	-	\$ 27.30	-	\$ 22.47	-	\$ 23.35	-	\$ 24.39	-	\$ 26.39
Unit value - End of period	-	\$ 26.46	-	\$ 27.30	-	\$ 22.47	-	\$ 23.35	-	\$ 24.39
Net assets at end of period (000's)	-	\$ 2,540	-	\$ 2,722	-	\$ 2,296	-	\$ 2,471	-	\$ 2,675
Units outstanding at end of period (000's)	-	96	-	100	-	102	-	106	-	110
Total return (1)	-	-3.08%	-	21.50%	-	-3.77%	-	-4.26%	-	-7.58%
Investment income ratio (2)	-	0.05%	-	1.29%	-	1.79%	-	1.96%	-	3.57%
Expense ratio (3)	-	0.90%	-	0.90%	-	0.90%	-	0.90%	-	0.90%

Ultra Series Large Cap Growth Fund, Class I, Subaccount										
	6/30/2018		12/31/2017		12/31/2016		12/31/2015		12/31/2014	
	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2
Unit value - Beginning of period	\$ 63.72	\$ 20.92	\$ 52.56	\$ 17.26	\$ 50.15	\$ 16.46	\$ 49.00	\$ 16.09	\$ 44.09	\$ 14.47
Unit value - End of period	\$ 63.94	\$ 20.98	\$ 63.72	\$ 20.92	\$ 52.56	\$ 17.26	\$ 50.15	\$ 16.46	\$ 49.00	\$ 16.09
Net assets at end of period (000's)	\$ 32,110	\$ 8,569	\$ 32,838	\$ 8,893	\$ 28,500	\$ 7,721	\$ 29,322	\$ 7,881	\$ 30,054	\$ 8,260
Units outstanding at end of period (000's)	502	408	515	425	542	447	585	479	613	513
Total return (1)	0.35%	0.29%	21.23%	21.21%	4.81%	4.86%	2.35%	2.30%	11.14%	11.20%
Investment income ratio (2)	0.01%	0.01%	0.78%	0.78%	0.84%	0.84%	1.13%	1.13%	0.67%	0.67%
Expense ratio (3)	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%

Ultra Series Large Cap Value Fund, Class I, Subaccount										
	6/30/2018		12/31/2017		12/31/2016		12/31/2015		12/31/2014	
	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2
Unit value - Beginning of period	\$ 162.33	\$ 19.91	\$ 140.93	\$ 17.29	\$ 125.82	\$ 15.44	\$ 130.44	\$ 16.01	\$ 117.07	\$ 14.38
Unit value - End of period	\$ 163.21	\$ 20.01	\$ 162.33	\$ 19.91	\$ 140.93	\$ 17.29	\$ 125.82	\$ 15.44	\$ 130.44	\$ 16.01
Net assets at end of period (000's)	\$ 67,240	\$ 9,009	\$ 68,696	\$ 9,277	\$ 63,538	\$ 8,499	\$ 60,169	\$ 8,143	\$ 66,821	\$ 9,164
Units outstanding at end of period (000's)	412	450	423	466	451	492	478	527	512	572.423
Total return (1)	0.54%	0.50%	15.18%	15.15%	12.01%	11.98%	-3.54%	-3.56%	11.42%	11.34%
Investment income ratio (2)	0.03%	0.03%	2.39%	2.39%	1.53%	1.53%	1.22%	1.22%	1.32%	1.32%
Expense ratio (3)	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%

^ This Subaccount is not available in this product type.

**CMFG Variable Life Insurance Account**  
**Notes to Financial Statements (Unaudited)**

**(7) Financial Highlights (continued)**

	Ultra Series Mid Cap Fund, Class I, Subaccount									
	6/30/2018		12/31/2017		12/31/2016		12/31/2015		12/31/2014	
	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2
Unit value - Beginning of period	\$ 35.38	\$ 43.09	\$ 30.85	\$ 37.56	\$ 27.59	\$ 33.58	\$ 27.54	\$ 33.55	\$ 25.29	\$ 30.83
Unit value - End of period	\$ 36.43	\$ 44.35	\$ 35.38	\$ 43.09	\$ 30.85	\$ 37.56	\$ 27.59	\$ 33.58	\$ 27.54	\$ 33.55
Net assets at end of period (000's)	\$ 10,773	\$ 10,156	\$ 10,863	\$ 10,284	\$ 9,923	\$ 9,534	\$ 9,407	\$ 9,207	\$ 9,964	\$ 9,954
Units outstanding at end of period (000's)	296	229	307	239	322	254	341	274	362	297
Total return (1)	2.97%	2.92%	14.68%	14.72%	11.82%	11.85%	0.18%	0.09%	8.90%	8.82%
Investment income ratio (2)	0.00%	0.00%	0.00%	0.00%	0.02%	0.02%	0.07%	0.07%	0.04%	0.04%
Expense ratio (3)	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%

	Ultra Series Moderate Allocation Fund, Class I, Subaccount									
	6/30/2018		12/31/2017		12/31/2016		12/31/2015		12/31/2014	
	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2	Type 1 ^	Type 2
Unit value - Beginning of period	- \$ 14.45	- \$ 12.72	- \$ 11.95	- \$ 12.18	- \$ 11.49	- \$ 11.49	- \$ 11.49	- \$ 11.49	- \$ 11.49	- \$ 11.49
Unit value - End of period	- \$ 14.32	- \$ 14.45	- \$ 12.72	- \$ 11.95	- \$ 11.49	- \$ 11.49	- \$ 11.49	- \$ 11.49	- \$ 11.49	- \$ 11.49
Net assets at end of period (000's)	- \$ 2,156	- \$ 2,186	- \$ 1,950	- \$ 1,847	- \$ 2,037	- \$ 2,037	- \$ 2,037	- \$ 2,037	- \$ 2,037	- \$ 2,037
Units outstanding at end of period (000's)	- 151	- 151	- 153	- 155	- 167	- 167	- 167	- 167	- 167	- 167
Total return (1)	- -0.90%	- 13.60%	- 6.44%	- -1.89%	- 6.01%	- 6.01%	- 6.01%	- 6.01%	- 6.01%	- 6.01%
Investment income ratio (2)	- 0.04%	- 2.06%	- 1.96%	- 1.63%	- 1.82%	- 1.82%	- 1.82%	- 1.82%	- 1.82%	- 1.82%
Expense ratio (3)	- 0.90%	- 0.90%	- 0.90%	- 0.90%	- 0.90%	- 0.90%	- 0.90%	- 0.90%	- 0.90%	- 0.90%

	Vanguard VIF Money Market Portfolio, Subaccount									
	6/30/2018		12/31/2017		12/31/2016 (a)		12/31/2015		12/31/2014	
	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2
Unit value - Beginning of period	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	-	-	-	-
Unit value - End of period	\$ 10.04	\$ 10.04	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	-	-	-	-
Net assets at end of period (000's)	\$ 913	\$ 927	\$ 914	\$ 1,250	\$ 962	\$ 1,044	-	-	-	-
Units outstanding at end of period (000's)	91	92	91	125	96	104	-	-	-	-
Total return (1)	0.40%	0.40%	0.00%	0.00%	-	-	-	-	-	-
Investment income ratio (2)	0.84%	0.84%	1.00%	1.00%	0	0	-	-	-	-
Expense ratio (3)	0.90%	0.90%	0.90%	0.90%	1	1	-	-	-	-

^ This Subaccount is not available in this product type.

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

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

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

(a) For the period of 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.

**CMFG Variable Annuity Account**  
**Statements of Assets and Liabilities**  
**As of June 30, 2018 (Unaudited)**

	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
<b>Assets</b>				
Investments in mutual funds at fair value	\$ 20,315,895	\$ 12,545,577	\$ 7,748,883	\$ 798,117
Total assets	20,315,895	12,545,577	7,748,883	798,117
<b>Liabilities</b>				
	-	-	-	-
Net assets	\$ 20,315,895	\$ 12,545,577	\$ 7,748,883	\$ 798,117
<b>Net assets</b>				
Contracts in accumulation period	\$ 20,315,895	\$ 12,543,313	\$ 7,746,494	\$ 798,117
Contracts in annuitization period (note 2)	-	2,264	2,389	-
Total net assets	\$ 20,315,895	\$ 12,545,577	\$ 7,748,883	\$ 798,117
Number of shares outstanding	1,391,500	789,527	390,175	85,360
Net asset value per share	\$ 14.60	\$ 15.89	\$ 19.86	\$ 9.35
Cost of mutual fund shares	\$ 20,025,939	\$ 11,763,611	\$ 7,752,869	\$ 680,409

	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
<b>Assets</b>				
Investments in mutual funds at fair value	\$ 6,552,980	\$ 14,896,423	\$ 35,277,553	\$ 8,329,792
Total assets	6,552,980	14,896,423	35,277,553	8,329,792
<b>Liabilities</b>				
	-	-	-	-
Net assets	\$ 6,552,980	\$ 14,896,423	\$ 35,277,553	\$ 8,329,792
<b>Net assets</b>				
Contracts in accumulation period	\$ 6,551,023	\$ 14,896,423	\$ 35,274,669	\$ 8,329,792
Contracts in annuitization period (note 2)	1,957	-	2,884	-
Total net assets	\$ 6,552,980	\$ 14,896,423	\$ 35,277,553	\$ 8,329,792
Number of shares outstanding	389,132	1,328,851	1,581,244	1,397,616
Net asset value per share	\$ 16.84	\$ 11.21	\$ 22.31	\$ 5.96
Cost of mutual fund shares	\$ 5,126,966	\$ 15,878,230	\$ 28,999,816	\$ 5,444,547

See accompanying notes to financial statements

**CMFG Variable Annuity Account**  
**Statements of Assets and Liabilities (Continued)**  
**As of June 30, 2018 (Unaudited)**

	<b>MFS® Strategic Income Portfolio, Initial Class, Subaccount</b>	<b>Oppenheimer Global Strategic Income Fund/VA, Non-Service Shares, Subaccount</b>	<b>Oppenheimer International Growth Fund/VA, Service Shares, Subaccount</b>	<b>Oppenheimer Main Street Small Cap Fund®/VA, Service Shares, Subaccount</b>
<b>Assets</b>				
Investments in mutual funds at fair value	\$ 630,575	\$ 384,854	\$ 16,758,382	\$ 9,693,040
Total assets	630,575	384,854	16,758,382	9,693,040
<b>Liabilities</b>				
	-	-	-	-
Net assets	\$ 630,575	\$ 384,854	\$ 16,758,382	\$ 9,693,040
<b>Net assets</b>				
Contracts in accumulation period	\$ 629,784	\$ 379,382	\$ 16,758,382	\$ 9,688,063
Contracts in annuitization period (note 2)	791	5,472	-	4,977
Total net assets	\$ 630,575	\$ 384,854	\$ 16,758,382	\$ 9,693,040
Number of shares outstanding	65,753	81,364	6,571,915	401,202
Net asset value per share	\$ 9.59	\$ 4.73	\$ 2.55	\$ 24.16
Cost of mutual fund shares	\$ 657,679	\$ 442,287	\$ 12,498,746	\$ 7,700,619

	<b>Oppenheimer Main Street Fund®/VA, Service Shares, Subaccount</b>	<b>PIMCO Commodity - RealReturn® Strategy Portfolio, Advisor Class, Subaccount</b>	<b>PIMCO Global Bond Opportunities Portfolio (Unhedged), Advisor Class, Subaccount</b>	<b>PIMCO Total Return Portfolio, Advisor Class, Subaccount</b>
<b>Assets</b>				
Investments in mutual funds at fair value	\$ 17,994,697	\$ 8,473,624	\$ 17,379,994	\$ 36,050,317
Total assets	17,994,697	8,473,624	17,379,994	36,050,317
<b>Liabilities</b>				
	-	-	-	-
Net assets	\$ 17,994,697	\$ 8,473,624	\$ 17,379,994	\$ 36,050,317
<b>Net assets</b>				
Contracts in accumulation period	\$ 17,994,697	\$ 8,473,624	\$ 17,379,994	\$ 36,050,317
Contracts in annuitization period (note 2)	-	-	-	-
Total net assets	\$ 17,994,697	\$ 8,473,624	\$ 17,379,994	\$ 36,050,317
Number of shares outstanding	624,816	1,190,116	1,462,962	3,391,375
Net asset value per share	\$ 28.80	\$ 7.12	\$ 11.88	\$ 10.63
Cost of mutual fund shares	\$ 14,505,506	\$ 14,269,756	\$ 18,960,774	\$ 37,676,698

See accompanying notes to financial statements

**CMFG Variable Annuity Account**  
**Statements of Assets and Liabilities (Continued)**  
**As of June 30, 2018 (Unaudited)**

	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
<b>Assets</b>				
Investments in mutual funds at fair value	\$ 4,714,822	\$ 8,679,942	\$ 2,185,335	\$ 54,425,987
Total assets	4,714,822	8,679,942	2,185,335	54,425,987
<b>Liabilities</b>				
	-	-	-	-
Net assets	\$ 4,714,822	\$ 8,679,942	\$ 2,185,335	\$ 54,425,987
<b>Net assets</b>				
Contracts in accumulation period	\$ 4,659,942	\$ 8,619,941	\$ 2,185,335	\$ 54,173,558
Contracts in annuitization period (note 2)	54,880	60,001	-	252,429
Total net assets	\$ 4,714,822	\$ 8,679,942	\$ 2,185,335	\$ 54,425,987
Number of shares outstanding	278,161	861,105	217,667	5,685,126
Net asset value per share	\$ 16.95	\$ 10.08	\$ 10.04	\$ 9.57
Cost of mutual fund shares	\$ 3,813,451	\$ 8,386,470	\$ 2,046,070	\$ 58,403,288

	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
<b>Assets</b>				
Investments in mutual funds at fair value	\$ 14,858,190	\$ 52,164,309	\$ 25,993,794	\$ 104,965,855
Total assets	14,858,190	52,164,309	25,993,794	104,965,855
<b>Liabilities</b>				
	-	-	-	-
Net assets	\$ 14,858,190	\$ 52,164,309	\$ 25,993,794	\$ 104,965,855
<b>Net assets</b>				
Contracts in accumulation period	\$ 14,858,190	\$ 52,128,963	\$ 25,993,794	\$ 103,539,873
Contracts in annuitization period (note 2)	-	35,346	-	1,425,982
Total net assets	\$ 14,858,190	\$ 52,164,309	\$ 25,993,794	\$ 104,965,855
Number of shares outstanding	1,557,675	5,146,033	2,564,882	5,474,356
Net asset value per share	\$ 9.54	\$ 10.14	\$ 10.13	\$ 19.17
Cost of mutual fund shares	\$ 15,946,609	\$ 51,839,896	\$ 25,577,132	\$ 100,630,512

See accompanying notes to financial statements

**CMFG Variable Annuity Account**  
**Statements of Assets and Liabilities (Continued)**  
**As of June 30, 2018 (Unaudited)**

	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
<b>Assets</b>				
Investments in mutual funds at fair value	\$ 36,532,569	\$ 279,413	\$ 17,222,938	\$ 18,034,853
Total assets	36,532,569	279,413	17,222,938	18,034,853
<b>Liabilities</b>				
	-	-	-	-
Net assets	\$ 36,532,569	\$ 279,413	\$ 17,222,938	\$ 18,034,853
<b>Net assets</b>				
Contracts in accumulation period	\$ 36,532,569	\$ 279,413	\$ 17,222,938	\$ 17,905,158
Contracts in annuitization period (note 2)	-	-	-	129,695
Total net assets	\$ 36,532,569	\$ 279,413	\$ 17,222,938	\$ 18,034,853
Number of shares outstanding	1,919,514	29,186	1,805,585	2,109,068
Net asset value per share	\$ 19.03	\$ 9.57	\$ 9.54	\$ 8.55
Cost of mutual fund shares	\$ 34,839,516	\$ 301,140	\$ 18,812,513	\$ 19,661,441

	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
<b>Assets</b>				
Investments in mutual funds at fair value	\$ 5,171,004	\$ 22,148,509	\$ 11,462,897	\$ 67,104,800
Total assets	5,171,004	22,148,509	11,462,897	67,104,800
<b>Liabilities</b>				
	-	-	-	-
Net assets	\$ 5,171,004	\$ 22,148,509	\$ 11,462,897	\$ 67,104,800
<b>Net assets</b>				
Contracts in accumulation period	\$ 5,171,004	\$ 22,100,694	\$ 11,462,897	\$ 66,695,291
Contracts in annuitization period (note 2)	-	47,815	-	409,509
Total net assets	\$ 5,171,004	\$ 22,148,509	\$ 11,462,897	\$ 67,104,800
Number of shares outstanding	604,230	1,940,843	1,010,080	2,537,207
Net asset value per share	\$ 8.56	\$ 11.41	\$ 11.35	\$ 26.45
Cost of mutual fund shares	\$ 5,546,820	\$ 21,174,317	\$ 9,919,280	\$ 59,097,169

See accompanying notes to financial statements

**CMFG Variable Annuity Account**  
**Statements of Assets and Liabilities (Continued)**  
**As of June 30, 2018 (Unaudited)**

	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
<b>Assets</b>				
Investments in mutual funds at fair value	\$ 20,701,247	\$ 97,128,648	\$ 5,041,601	\$ 65,747,770
Total assets	20,701,247	97,128,648	5,041,601	65,747,770
<b>Liabilities</b>				
	-	-	-	-
Net assets	\$ 20,701,247	\$ 97,128,648	\$ 5,041,601	\$ 65,747,770
<b>Net assets</b>				
Contracts in accumulation period	\$ 20,701,247	\$ 96,167,903	\$ 5,041,601	\$ 65,439,761
Contracts in annuitization period (note 2)	-	960,745	-	308,009
Total net assets	\$ 20,701,247	\$ 97,128,648	\$ 5,041,601	\$ 65,747,770
Number of shares outstanding	793,212	3,391,648	178,169	3,358,814
Net asset value per share	\$ 26.10	\$ 28.64	\$ 28.30	\$ 19.57
Cost of mutual fund shares	\$ 18,583,788	\$ 96,862,664	\$ 4,668,023	\$ 54,602,199

	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
<b>Assets</b>				
Investments in mutual funds at fair value	\$ 9,629,369	\$ 95,961,047	\$ 23,223,140	\$ 25,855,757
Total assets	9,629,369	95,961,047	23,223,140	25,855,757
<b>Liabilities</b>				
	-	-	-	-
Net assets	\$ 9,629,369	\$ 95,961,047	\$ 23,223,140	\$ 25,855,757
<b>Net assets</b>				
Contracts in accumulation period	\$ 9,629,369	\$ 95,500,558	\$ 23,223,140	\$ 25,812,550
Contracts in annuitization period (note 2)	-	460,489	-	43,207
Total net assets	\$ 9,629,369	\$ 95,961,047	\$ 23,223,140	\$ 25,855,757
Number of shares outstanding	502,469	8,911,025	2,161,076	25,855,757
Net asset value per share	\$ 19.16	\$ 10.77	\$ 10.75	\$ 1.00
Cost of mutual fund shares	\$ 7,758,988	\$ 91,988,601	\$ 21,147,610	\$ 25,855,758

See accompanying notes to financial statements

**CMFG Variable Annuity Account**  
**Statements of Operations**  
**For the Period Ended June 30, 2018 (Unaudited)**

	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
<b>Investment income (loss)</b>				
Dividend income	\$ -	\$ 587,358	\$ -	\$ 7,071
Mortality and expense charges (note 3)	(130,547)	(76,828)	(47,336)	(5,524)
Administrative charges	(18,352)	(9,674)	(6,181)	(663)
Net investment income (loss)	(148,899)	500,856	(53,517)	884
<b>Realized gain (loss) on sale of investments</b>				
Net realized gain (loss) on sale of fund shares	206,202	288,036	50,427	10,716
Realized gain distributions	-	-	-	-
Net realized gain (loss) on investments	206,202	288,036	50,427	10,716
<b>Net change in unrealized appreciation (depreciation) on investments</b>	(478,160)	(761,739)	(150,204)	(85,529)
<b>Net increase (decrease) in net assets resulting from operations</b>	\$ (420,857)	\$ 27,153	\$ (153,294)	\$ (73,929)

	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
<b>Investment income (loss)</b>				
Dividend income	\$ -	\$ -	\$ -	\$ -
Mortality and expense charges (note 3)	(38,974)	(89,540)	(221,134)	(51,091)
Administrative charges	(5,955)	(14,550)	(35,549)	(8,324)
Net investment income (loss)	(44,929)	(104,090)	(256,683)	(59,415)
<b>Realized gain (loss) on sale of investments</b>				
Net realized gain (loss) on sale of fund shares	196,642	(107,310)	1,158,523	978,149
Realized gain distributions	-	-	-	-
Net realized gain (loss) on investments	196,642	(107,310)	1,158,523	978,149
<b>Net change in unrealized appreciation (depreciation) on investments</b>	(214,732)	(42,302)	(1,642,810)	(251,257)
<b>Net increase (decrease) in net assets resulting from operations</b>	\$ (63,019)	\$ (253,702)	\$ (740,970)	\$ 667,477

See accompanying notes to financial statements



**CMFG Variable Annuity Account**  
**Statements of Operations (Continued)**  
**For the Period Ended June 30, 2018 (Unaudited)**

	<b>MFS® Strategic Income Portfolio, Initial Class, Subaccount</b>	<b>Oppenheimer Global Strategic Income Fund/VA, Non-Service Shares, Subaccount</b>	<b>Oppenheimer International Growth Fund/VA, Service Shares, Subaccount</b>	<b>Oppenheimer Main Street Small Cap Fund®/VA, Service Shares, Subaccount</b>
<b>Investment income (loss)</b>				
Dividend income	\$ -	\$ 19,402	\$ 99,254	\$ 5,476
Mortality and expense charges (note 3)	(4,018)	(2,532)	(108,108)	(57,242)
Administrative charges	(482)	(304)	(17,200)	(8,918)
Net investment income (loss)	(4,500)	16,566	(26,054)	(60,684)
<b>Realized gain (loss) on sale of investments</b>				
Net realized gain (loss) on sale of fund shares	(747)	(2,539)	1,359,412	684,350
Realized gain distributions	-	-	314,594	1,195,090
Net realized gain (loss) on investments	(747)	(2,539)	1,674,006	1,879,440
<b>Net change in unrealized appreciation (depreciation) on investments</b>	(16,048)	(28,890)	(2,251,494)	(1,110,362)
<b>Net increase (decrease) in net assets resulting from operations</b>	\$ (21,295)	\$ (14,863)	\$ (603,542)	\$ 708,394

	<b>Oppenheimer Main Street Fund®/VA, Service Shares, Subaccount</b>	<b>PIMCO Commodity - RealReturn® Strategy Portfolio, Advisor Class, Subaccount</b>	<b>PIMCO Global Bond Opportunities Portfolio (Unhedged), Advisor Class, Subaccount</b>	<b>PIMCO Total Return Portfolio, Advisor Class, Subaccount</b>
<b>Investment income (loss)</b>				
Dividend income	\$ 164,847	\$ 121,460	\$ 163,748	\$ 410,442
Mortality and expense charges (note 3)	(108,871)	(51,724)	(108,208)	(215,931)
Administrative charges	(18,064)	(8,043)	(17,238)	(31,344)
Net investment income (loss)	37,912	61,693	38,302	163,167
<b>Realized gain (loss) on sale of investments</b>				
Net realized gain (loss) on sale of fund shares	841,468	(644,565)	(132,009)	(133,877)
Realized gain distributions	1,606,372	-	-	-
Net realized gain (loss) on investments	2,447,840	(644,565)	(132,009)	(133,877)
<b>Net change in unrealized appreciation (depreciation) on investments</b>	(2,597,785)	507,227	(480,155)	(972,314)
<b>Net increase (decrease) in net assets resulting from operations</b>	\$ (112,033)	\$ (75,645)	\$ (573,862)	\$ (943,024)

See accompanying notes to financial statements

**CMFG Variable Annuity Account**  
**Statements of Operations (Continued)**  
**For the Period Ended June 30, 2018 (Unaudited)**

	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
<b>Investment income (loss)</b>				
Dividend income	\$ -	\$ 3,311	\$ -	\$ 42,140
Mortality and expense charges (note 3)	(31,802)	(52,171)	(12,919)	(331,883)
Administrative charges	(3,816)	(4,079)	(1,685)	(28,709)
Net investment income (loss)	(35,618)	(52,939)	(14,604)	(318,452)
<b>Realized gain (loss) on sale of investments</b>				
Net realized gain (loss) on sale of fund shares	109,307	34,573	5,963	(385,216)
Realized gain distributions	-	26,591	6,722	-
Net realized gain (loss) on investments	109,307	61,164	12,685	(385,216)
<b>Net change in unrealized appreciation (depreciation) on investments</b>	(218,364)	(71,545)	(16,518)	(756,836)
<b>Net increase (decrease) in net assets resulting from operations</b>	\$ (144,675)	\$ (63,320)	\$ (18,437)	\$ (1,460,504)

	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
<b>Investment income (loss)</b>				
Dividend income	\$ -	\$ 57,016	\$ -	\$ 61,432
Mortality and expense charges (note 3)	(86,921)	(313,980)	(159,165)	(649,436)
Administrative charges	(16,593)	(38,271)	(22,328)	(49,085)
Net investment income (loss)	(103,514)	(295,235)	(181,493)	(637,089)
<b>Realized gain (loss) on sale of investments</b>				
Net realized gain (loss) on sale of fund shares	(66,001)	47,400	76,120	413,845
Realized gain distributions	-	9,265	4,638	390,855
Net realized gain (loss) on investments	(66,001)	56,665	80,758	804,700
<b>Net change in unrealized appreciation (depreciation) on investments</b>	(237,944)	(497,691)	(303,439)	(2,536,021)
<b>Net increase (decrease) in net assets resulting from operations</b>	\$ (407,459)	\$ (736,261)	\$ (404,174)	\$ (2,368,410)

See accompanying notes to financial statements

**CMFG Variable Annuity Account**  
**Statements of Operations (Continued)**  
**For the Period Ended June 30, 2018 (Unaudited)**

	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
<b>Investment income (loss)</b>				
Dividend income	\$ -	\$ 214	\$ -	\$ 22,735
Mortality and expense charges (note 3)	(221,687)	(1,632)	(104,361)	(108,879)
Administrative charges	(37,594)	(213)	(15,170)	(7,884)
Net investment income (loss)	(259,281)	(1,631)	(119,531)	(94,028)
<b>Realized gain (loss) on sale of investments</b>				
Net realized gain (loss) on sale of fund shares	187,079	(678)	(191,670)	(126,619)
Realized gain distributions	137,018	-	-	-
Net realized gain (loss) on investments	324,097	(678)	(191,670)	(126,619)
<b>Net change in unrealized appreciation (depreciation) on investments</b>	(961,064)	(4,885)	(186,646)	(109,266)
<b>Net increase (decrease) in net assets resulting from operations</b>	<u>\$ (896,248)</u>	<u>\$ (7,194)</u>	<u>\$ (497,847)</u>	<u>\$ (329,913)</u>

	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
<b>Investment income (loss)</b>				
Dividend income	\$ 550	\$ 12,069	\$ -	\$ 9,740
Mortality and expense charges (note 3)	(30,578)	(138,909)	(72,307)	(418,438)
Administrative charges	(5,426)	(11,386)	(12,361)	(36,072)
Net investment income (loss)	(35,454)	(138,226)	(84,668)	(444,770)
<b>Realized gain (loss) on sale of investments</b>				
Net realized gain (loss) on sale of fund shares	(26,653)	170,001	242,841	858,666
Realized gain distributions	-	-	-	761,329
Net realized gain (loss) on investments	(26,653)	170,001	242,841	1,619,995
<b>Net change in unrealized appreciation (depreciation) on investments</b>	(40,415)	(784,236)	(563,496)	(1,058,097)
<b>Net increase (decrease) in net assets resulting from operations</b>	<u>\$ (102,522)</u>	<u>\$ (752,461)</u>	<u>\$ (405,323)</u>	<u>\$ 117,128</u>

See accompanying notes to financial statements

**CMFG Variable Annuity Account**  
**Statements of Operations (Continued)**  
**For the Period Ended June 30, 2018 (Unaudited)**

	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
<b>Investment income (loss)</b>				
Dividend income	\$ -	\$ 32,890	\$ -	\$ -
Mortality and expense charges (note 3)	(127,963)	(611,803)	(31,008)	(395,332)
Administrative charges	(21,594)	(52,668)	(6,207)	(29,465)
Net investment income (loss)	(149,557)	(631,581)	(37,215)	(424,797)
<b>Realized gain (loss) on sale of investments</b>				
Net realized gain (loss) on sale of fund shares	342,724	92,663	51,511	823,683
Realized gain distributions	239,216	409,719	21,454	132,951
Net realized gain (loss) on investments	581,940	502,382	72,965	956,634
<b>Net change in unrealized appreciation (depreciation) on investments</b>	(416,887)	534,635	(16,655)	1,278,403
<b>Net increase (decrease) in net assets resulting from operations</b>	\$ 15,496	\$ 405,436	\$ 19,095	\$ 1,810,240

	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
<b>Investment income (loss)</b>				
Dividend income	\$ -	\$ 34,259	\$ -	\$ 231,271
Mortality and expense charges (note 3)	(57,999)	(580,499)	(141,666)	(160,096)
Administrative charges	(10,018)	(71,557)	(21,708)	(20,768)
Net investment income (loss)	(68,017)	(617,797)	(163,374)	50,407
<b>Realized gain (loss) on sale of investments</b>				
Net realized gain (loss) on sale of fund shares	224,029	427,192	508,355	-
Realized gain distributions	19,937	250,273	59,691	-
Net realized gain (loss) on investments	243,966	677,465	568,046	-
<b>Net change in unrealized appreciation (depreciation) on investments</b>	82,798	(1,117,215)	(670,594)	-
<b>Net increase (decrease) in net assets resulting from operations</b>	\$ 258,747	\$ (1,057,547)	\$ (265,922)	\$ 50,407

See accompanying notes to financial statements

# CMFG Variable Annuity Account

## Statements of Changes in Net Assets

	BlackRock		Franklin	
	Global Allocation V.I.		Franklin Income	
	Fund, Class III, Subaccount		Fund, Class 4, Subaccount	
	Period Ended June 30, 2018*	Year Ended December 31, 2017	Period Ended June 30, 2018*	Year Ended December 31, 2017
<b>Increase (decrease) in net assets from operations</b>				
Net investment income (loss)	\$ (148,899)	\$ (28,460)	\$ 500,856	\$ 425,345
Net realized gain (loss) on investments	206,202	349,908	288,036	395,977
Net change in unrealized appreciation (depreciation) on investments	(478,160)	2,794,159	(761,739)	445,169
Net increase (decrease) in net assets resulting from operations	(420,857)	3,115,607	27,153	1,266,491
<b>Contract transactions</b>				
Payments received from contract owners	1,320	128,092	21,950	113,185
Transfers between subaccounts (including fixed accounts), net	(23,108)	(196,865)	(155,658)	(368,367)
Payment for contract benefits and terminations	(4,484,708)	(4,081,069)	(2,187,614)	(3,203,055)
Contract charges and fees	(161,288)	(317,899)	(32,892)	(75,618)
Adjustments to net assets allocated to contracts in payout period	-	-	197	331
Net increase (decrease) in net assets from contract transactions	(4,667,784)	(4,467,741)	(2,354,017)	(3,533,524)
Total increase (decrease) in net assets	(5,088,641)	(1,352,134)	(2,326,864)	(2,267,033)
<b>Net assets</b>				
Beginning of period	25,404,536	26,756,670	14,872,441	17,139,474
End of period	\$ 20,315,895	\$ 25,404,536	\$ 12,545,577	\$ 14,872,441

	Franklin Mutual		Templeton	
	Global Discovery VIP		Developing Markets VIP	
	Fund, Class 4, Subaccount		Fund, Class 2, Subaccount	
	Period Ended June 30, 2018*	Year Ended December 31, 2017	Period Ended June 30, 2018*	Year Ended December 31, 2017
<b>Increase (decrease) in net assets from operations</b>				
Net investment income (loss)	\$ (53,517)	\$ 23,192	\$ 884	\$ (3,412)
Net realized gain (loss) on investments	50,427	652,363	10,716	6,400
Net change in unrealized appreciation (depreciation) on investments	(150,204)	25,126	(85,529)	259,875
Net increase (decrease) in net assets resulting from operations	(153,294)	700,681	(73,929)	262,863
<b>Contract transactions</b>				
Payments received from contract owners	20,182	64,459	-	-
Transfers between subaccounts (including fixed accounts), net	101,059	(483,108)	325	(55)
Payment for contract benefits and terminations	(1,165,608)	(2,135,172)	(42,451)	(57,452)
Contract charges and fees	(28,092)	(61,452)	(188)	(361)
Adjustments to net assets allocated to contracts in payout period	211	358	-	-
Net increase (decrease) in net assets from contract transactions	(1,072,248)	(2,614,915)	(42,314)	(57,868)
Total increase (decrease) in net assets	(1,225,542)	(1,914,234)	(116,243)	204,995
<b>Net assets</b>				
Beginning of period	8,974,425	10,888,659	914,360	709,365
End of period	\$ 7,748,883	\$ 8,974,425	\$ 798,117	\$ 914,360

\*Unaudited

See accompanying notes to financial statements

**CMFG Variable Annuity Account**  
**Statements of Change in Net Assets (Continued)**

	Invesco V.I. Global Real Estate Fund, Series II Shares, Subaccount		Invesco V.I. Government Securities Fund, Series II Shares, Subaccount	
	Period Ended	Year Ended	Period Ended	Year Ended
	June 30, 2018*	December 31, 2017	June 30, 2018*	December 31, 2017
<b>Increase (decrease) in net assets from operations</b>				
Net investment income (loss)	\$ (44,929)	\$ 126,577	\$ (104,090)	\$ 89,173
Net realized gain (loss) on investments	196,642	520,720	(107,310)	(130,849)
Net change in unrealized appreciation (depreciation) on investments	(214,732)	181,778	(42,302)	112,276
Net increase (decrease) in net assets resulting from operations	(63,019)	829,075	(253,702)	70,600
<b>Contract transactions</b>				
Payments received from contract owners	17,176	27,268	57,163	87,135
Transfers between subaccounts (including fixed accounts), net	29,835	33,429	519,569	1,162,256
Payment for contract benefits and terminations	(832,281)	(1,453,232)	(1,715,643)	(2,612,284)
Contract charges and fees	(28,294)	(59,580)	(85,072)	(185,977)
Adjustments to net assets allocated to contracts in payout period	169	284	-	-
Net increase (decrease) in net assets from contract transactions	(813,395)	(1,451,831)	(1,223,983)	(1,548,870)
Total increase (decrease) in net assets	(876,414)	(622,756)	(1,477,685)	(1,478,270)
<b>Net assets</b>				
Beginning of period	7,429,394	8,052,150	16,374,108	17,852,378
End of period	\$ 6,552,980	\$ 7,429,394	\$ 14,896,423	\$ 16,374,108

	Invesco V.I. Growth and Income, Series II Shares, Subaccount		Invesco V.I. Mid Cap Growth, Series II Shares, Subaccount	
	Period Ended	Year Ended	Period Ended	Year Ended
	June 30, 2018*	December 31, 2017	June 30, 2018*	December 31, 2017
<b>Increase (decrease) in net assets from operations</b>				
Net investment income (loss)	\$ (256,683)	\$ (56,818)	\$ (59,415)	\$ (145,449)
Net realized gain (loss) on investments	1,158,523	4,548,702	978,149	1,795,508
Net change in unrealized appreciation (depreciation) on investments	(1,642,810)	624,402	(251,257)	427,699
Net increase (decrease) in net assets resulting from operations	(740,970)	5,116,286	667,477	2,077,758
<b>Contract transactions</b>				
Payments received from contract owners	90,944	192,232	21,631	23,013
Transfers between subaccounts (including fixed accounts), net	(791,278)	(6,823,479)	(484,467)	(822,984)
Payment for contract benefits and terminations	(4,297,685)	(9,088,859)	(2,244,040)	(2,393,343)
Contract charges and fees	(170,157)	(365,124)	(34,634)	(73,761)
Adjustments to net assets allocated to contracts in payout period	256	415	-	-
Net increase (decrease) in net assets from contract transactions	(5,167,920)	(16,084,815)	(2,741,510)	(3,267,075)
Total increase (decrease) in net assets	(5,908,890)	(10,968,529)	(2,074,033)	(1,189,317)
<b>Net assets</b>				
Beginning of period	41,186,443	52,154,972	10,403,825	11,593,142
End of period	\$ 35,277,553	\$ 41,186,443	\$ 8,329,792	\$ 10,403,825

\*Unaudited

See accompanying notes to financial statements

**CMFG Variable Annuity Account**  
**Statements of Changes in Net Assets (Continued)**

	MFS® Strategic Income Portfolio, Initial Class, Subaccount		Oppenheimer Global Strategic Income Fund/VA, Non-Service Shares, Subaccount	
	Period Ended June 30, 2018*	Year Ended December 31, 2017	Period Ended June 30, 2018*	Year Ended December 31, 2017
<b>Increase (decrease) in net assets from operations</b>				
Net investment income (loss)	\$ (4,500)	\$ 22,161	\$ 16,566	\$ 4,142
Net realized gain (loss) on investments	(747)	(524)	(2,539)	(5,968)
Net change in unrealized appreciation (depreciation) on investments	(16,048)	11,253	(28,890)	23,349
Net increase (decrease) in net assets resulting from operations	(21,295)	32,890	(14,863)	21,523
<b>Contract transactions</b>				
Payments received from contract owners	-	-	-	-
Transfers between subaccounts (including fixed accounts), net	(169)	(25)	(237)	(5,788)
Payment for contract benefits and terminations	(18,252)	(74,702)	(26,300)	(60,429)
Contract charges and fees	(106)	(253)	(117)	(259)
Adjustments to net assets allocated to contracts in payout period	5	11	156	241
Net increase (decrease) in net assets from contract transactions	(18,522)	(74,969)	(26,498)	(66,235)
Total increase (decrease) in net assets	(39,817)	(42,079)	(41,361)	(44,712)
<b>Net assets</b>				
Beginning of period	670,392	712,471	426,215	470,927
End of period	\$ 630,575	\$ 670,392	\$ 384,854	\$ 426,215

	Oppenheimer International Growth Fund/VA, Service Shares, Subaccount		Oppenheimer Main Street Small Cap Fund®/VA, Service Shares, Subaccount	
	Period Ended June 30, 2018*	Year Ended December 31, 2017	Period Ended June 30, 2018*	Year Ended December 31, 2017
<b>Increase (decrease) in net assets from operations</b>				
Net investment income (loss)	\$ (26,054)	\$ (40,913)	\$ (60,684)	\$ (84,640)
Net realized gain (loss) on investments	1,674,006	1,615,940	1,879,440	1,830,724
Net change in unrealized appreciation (depreciation) on investments	(2,251,494)	3,274,274	(1,110,362)	(333,862)
Net increase (decrease) in net assets resulting from operations	(603,542)	4,849,301	708,394	1,412,222
<b>Contract transactions</b>				
Payments received from contract owners	76,648	82,210	15,541	37,827
Transfers between subaccounts (including fixed accounts), net	(828,855)	(1,009,289)	(357,926)	(1,266,350)
Payment for contract benefits and terminations	(2,940,466)	(4,478,926)	(1,809,407)	(2,568,445)
Contract charges and fees	(83,620)	(172,124)	(39,101)	(87,468)
Adjustments to net assets allocated to contracts in payout period	-	-	36	844
Net increase (decrease) in net assets from contract transactions	(3,776,293)	(5,578,129)	(2,190,857)	(3,883,592)
Total increase (decrease) in net assets	(4,379,835)	(728,828)	(1,482,463)	(2,471,370)
<b>Net assets</b>				
Beginning of period	21,138,217	21,867,045	11,175,503	13,646,873
End of period	\$ 16,758,382	\$ 21,138,217	\$ 9,693,040	\$ 11,175,503

\*Unaudited

See accompanying notes to financial statements

**CMFG Variable Annuity Account**  
**Statements of Changes in Net Assets (Continued)**

	Oppenheimer Main Street Fund®/VA, Service Shares, Subaccount		PIMCO Commodity - RealReturn® Strategy Portfolio, Advisor Class, Subaccount	
	Period Ended June 30, 2018*	Year Ended December 31, 2017	Period Ended June 30, 2018*	Year Ended December 31, 2017
<b>Increase (decrease) in net assets from operations</b>				
Net investment income (loss)	\$ 37,912	\$ (77,144)	\$ 61,693	\$ 938,559
Net realized gain (loss) on investments	2,447,840	2,748,569	(644,565)	(1,699,450)
Net change in unrealized appreciation (depreciation) on investments	(2,597,785)	556,353	507,227	775,328
Net increase (decrease) in net assets resulting from operations	(112,033)	3,227,778	(75,645)	14,437
<b>Contract transactions</b>				
Payments received from contract owners	30,245	68,421	32,805	50,251
Transfers between subaccounts (including fixed accounts), net	(248,913)	(2,163,472)	117,692	(9,252)
Payment for contract benefits and terminations	(2,316,549)	(5,419,695)	(929,574)	(1,938,620)
Contract charges and fees	(70,778)	(151,796)	(38,609)	(81,043)
Adjustments to net assets allocated to contracts in payout period	-	-	-	-
Net increase (decrease) in net assets from contract transactions	(2,605,995)	(7,666,542)	(817,686)	(1,978,664)
Total increase (decrease) in net assets	(2,718,028)	(4,438,764)	(893,331)	(1,964,227)
<b>Net assets</b>				
Beginning of period	20,712,725	25,151,489	9,366,955	11,331,182
End of period	\$ 17,994,697	\$ 20,712,725	\$ 8,473,624	\$ 9,366,955

	PIMCO Global Bond Opportunities Portfolio (Unhedged), Advisor Class, Subaccount		PIMCO Total Return Portfolio, Advisor Class, Subaccount	
	Period Ended June 30, 2018*	Year Ended December 31, 2017	Period Ended June 30, 2018*	Year Ended December 31, 2017
<b>Increase (decrease) in net assets from operations</b>				
Net investment income (loss)	\$ 38,302	\$ 102,736	\$ 163,167	\$ 267,136
Net realized gain (loss) on investments	(132,009)	(442,817)	(133,877)	(318,096)
Net change in unrealized appreciation (depreciation) on investments	(480,155)	1,842,717	(972,314)	1,621,779
Net increase (decrease) in net assets resulting from operations	(573,862)	1,502,636	(943,024)	1,570,819
<b>Contract transactions</b>				
Payments received from contract owners	46,626	71,010	72,963	254,819
Transfers between subaccounts (including fixed accounts), net	167,157	111,390	840,384	133,062
Payment for contract benefits and terminations	(2,265,951)	(4,544,900)	(3,898,937)	(10,503,005)
Contract charges and fees	(84,640)	(176,462)	(138,600)	(288,875)
Adjustments to net assets allocated to contracts in payout period	-	-	-	-
Net increase (decrease) in net assets from contract transactions	(2,136,808)	(4,538,962)	(3,124,190)	(10,403,999)
Total increase (decrease) in net assets	(2,710,670)	(3,036,326)	(4,067,214)	(8,833,180)
<b>Net assets</b>				
Beginning of period	20,090,664	23,126,990	40,117,531	48,950,711
End of period	\$ 17,379,994	\$ 20,090,664	\$ 36,050,317	\$ 40,117,531

\*Unaudited

See accompanying notes to financial statements



**CMFG Variable Annuity Account**  
**Statements of Changes in Net Assets (Continued)**

	T. Rowe Price International Stock Portfolio, Subaccount		Ultra Series Aggressive Allocation Fund, Class I, Subaccount	
	Period Ended June 30, 2018*	Year Ended December 31, 2017	Period Ended June 30, 2018*	Year Ended December 31, 2017
<b>Increase (decrease) in net assets from operations</b>				
Net investment income (loss)	\$ (35,618)	\$ (18,289)	\$ (52,939)	\$ 42,298
Net realized gain (loss) on investments	109,307	374,874	61,164	681,274
Net change in unrealized appreciation (depreciation) on investments	(218,364)	841,829	(71,545)	714,176
Net increase (decrease) in net assets resulting from operations	(144,675)	1,198,414	(63,320)	1,437,748
<b>Contract transactions</b>				
Payments received from contract owners	-	-	120,154	230,331
Transfers between subaccounts (including fixed accounts), net	(45,438)	(96,002)	7,787	(2,846)
Payment for contract benefits and terminations	(348,440)	(620,129)	(768,108)	(1,147,211)
Contract charges and fees	(1,077)	(2,195)	(2,508)	(4,979)
Adjustments to net assets allocated to contracts in payout period	214	760	1,178	1,983
Net increase (decrease) in net assets from contract transactions	(394,741)	(717,566)	(641,497)	(922,722)
Total increase (decrease) in net assets	(539,416)	480,848	(704,817)	515,026
<b>Net assets</b>				
Beginning of period	5,254,238	4,773,390	9,384,759	8,869,733
End of period	\$ 4,714,822	\$ 5,254,238	\$ 8,679,942	\$ 9,384,759

	Ultra Series Aggressive Allocation Fund, Class II, Subaccount		Ultra Series Core Bond Fund, Class I, Subaccount	
	Period Ended June 30, 2018*	Year Ended December 31, 2017	Period Ended June 30, 2018*	Year Ended December 31, 2017
<b>Increase (decrease) in net assets from operations</b>				
Net investment income (loss)	\$ (14,604)	\$ 4,698	\$ (318,452)	\$ 975,632
Net realized gain (loss) on investments	12,685	172,732	(385,216)	(461,615)
Net change in unrealized appreciation (depreciation) on investments	(16,518)	141,964	(756,836)	665,330
Net increase (decrease) in net assets resulting from operations	(18,437)	319,394	(1,460,504)	1,179,347
<b>Contract transactions</b>				
Payments received from contract owners	150	1,514	238,711	185,483
Transfers between subaccounts (including fixed accounts), net	(683)	164,562	958,328	292,082
Payment for contract benefits and terminations	(61,741)	(249,873)	(5,229,096)	(9,730,440)
Contract charges and fees	(1,126)	(841)	(58,882)	(85,819)
Adjustments to net assets allocated to contracts in payout period	-	-	3,454	(2,095)
Net increase (decrease) in net assets from contract transactions	(63,400)	(84,638)	(4,087,485)	(9,340,789)
Total increase (decrease) in net assets	(81,837)	234,756	(5,547,989)	(8,161,442)
<b>Net assets</b>				
Beginning of period	2,267,172	2,032,416	59,973,976	68,135,418
End of period	\$ 2,185,335	\$ 2,267,172	\$ 54,425,987	\$ 59,973,976

\*Unaudited

See accompanying notes to financial statements

**CMFG Variable Annuity Account**  
**Statements of Changes in Net Assets (Continued)**

	Ultra Series Core Bond Fund, Class II, Subaccount		Ultra Series Conservative Allocation Fund, Class I, Subaccount	
	Period Ended June 30, 2018*	Year Ended December 31, 2017	Period Ended June 30, 2018*	Year Ended December 31, 2017
<b>Increase (decrease) in net assets from operations</b>				
Net investment income (loss)	\$ (103,514)	\$ 211,905	\$ (295,235)	\$ 406,634
Net realized gain (loss) on investments	(66,001)	(124,839)	56,665	1,693,866
Net change in unrealized appreciation (depreciation) on investments	(237,944)	148,754	(497,691)	3,020,220
Net increase (decrease) in net assets resulting from operations	(407,459)	235,820	(736,261)	5,120,720
<b>Contract transactions</b>				
Payments received from contract owners	4,989	34,973	125,140	287,050
Transfers between subaccounts (including fixed accounts), net	494,614	2,471,569	(6,013)	(483,055)
Payment for contract benefits and terminations	(855,473)	(2,968,065)	(4,371,155)	(12,629,730)
Contract charges and fees	(72,173)	(138,173)	(74,574)	(154,789)
Adjustments to net assets allocated to contracts in payout period	-	-	350	(1,097)
Net increase (decrease) in net assets from contract transactions	(428,043)	(599,696)	(4,326,252)	(12,981,621)
Total increase (decrease) in net assets	(835,502)	(363,876)	(5,062,513)	(7,860,901)
<b>Net assets</b>				
Beginning of period	15,693,692	16,057,568	57,226,822	65,087,723
End of period	\$ 14,858,190	\$ 15,693,692	\$ 52,164,309	\$ 57,226,822

	Ultra Series Conservative Allocation Fund, Class II, Subaccount		Ultra Series Diversified Income Fund, Class I, Subaccount	
	Period Ended June 30, 2018*	Year Ended December 31, 2017	Period Ended June 30, 2018*	Year Ended December 31, 2017
<b>Increase (decrease) in net assets from operations</b>				
Net investment income (loss)	\$ (181,493)	\$ 135,140	\$ (637,089)	\$ 1,014,697
Net realized gain (loss) on investments	80,758	878,077	804,700	5,780,376
Net change in unrealized appreciation (depreciation) on investments	(303,439)	1,432,935	(2,536,021)	6,048,691
Net increase (decrease) in net assets resulting from operations	(404,174)	2,446,152	(2,368,410)	12,843,764
<b>Contract transactions</b>				
Payments received from contract owners	20,892	111,116	548,134	979,377
Transfers between subaccounts (including fixed accounts), net	(60,961)	1,629,295	65,815	564,985
Payment for contract benefits and terminations	(3,204,266)	(5,272,053)	(7,593,765)	(15,476,794)
Contract charges and fees	(129,009)	(258,841)	(72,163)	(101,335)
Adjustments to net assets allocated to contracts in payout period	-	-	23,754	(9,012)
Net increase (decrease) in net assets from contract transactions	(3,373,344)	(3,790,483)	(7,028,225)	(14,042,779)
Total increase (decrease) in net assets	(3,777,518)	(1,344,331)	(9,396,635)	(1,199,015)
<b>Net assets</b>				
Beginning of period	29,771,312	31,115,643	114,362,490	115,561,505
End of period	\$ 25,993,794	\$ 29,771,312	\$ 104,965,855	\$ 114,362,490

\*Unaudited

See accompanying notes to financial statements

**CMFG Variable Annuity Account**  
**Statements of Changes in Net Assets (Continued)**

	Ultra Series Diversified Income Fund, Class II, Subaccount		Ultra Series Foundation Account, Class I, Subaccount	
	Period Ended	Year Ended	Period Ended	Year Ended
	June 30, 2018*	December 31, 2017	June 30, 2018*	December 31, 2017
<b>Increase (decrease) in net assets from operations</b>				
Net investment income (loss)	\$ (259,281)	\$ 277,530	\$ (1,631)	\$ 4,725
Net realized gain (loss) on investments	324,097	2,227,667	(678)	(4,289)
Net change in unrealized appreciation (depreciation) on investments	(961,064)	1,984,229	(4,885)	5,038
Net increase (decrease) in net assets resulting from operations	(896,248)	4,489,426	(7,194)	5,474
<b>Contract transactions</b>				
Payments received from contract owners	3,699	334,440	-	1,645
Transfers between subaccounts (including fixed accounts), net	(184,637)	1,769,144	4	47,556
Payment for contract benefits and terminations	(2,740,329)	(6,245,489)	(7,064)	(88,868)
Contract charges and fees	(176,355)	(369,259)	-	(12)
Adjustments to net assets allocated to contracts in payout period	-	-	-	-
Net increase (decrease) in net assets from contract transactions	(3,097,622)	(4,511,164)	(7,060)	(39,679)
Total increase (decrease) in net assets	(3,993,870)	(21,738)	(14,254)	(34,205)
<b>Net assets</b>				
Beginning of period	40,526,439	40,548,177	293,667	327,872
End of period	\$ 36,532,569	\$ 40,526,439	\$ 279,413	\$ 293,667

	Ultra Series Foundation Account, Class II, Subaccount		Ultra Series High Income Fund, Class I, Subaccount	
	Period Ended	Year Ended	Period Ended	Year Ended
	June 30, 2018*	December 31, 2017	June 30, 2018*	December 31, 2017
<b>Increase (decrease) in net assets from operations</b>				
Net investment income (loss)	\$ (119,531)	\$ 256,193	\$ (94,028)	\$ 709,614
Net realized gain (loss) on investments	(191,670)	(184,726)	(126,619)	(177,868)
Net change in unrealized appreciation (depreciation) on investments	(186,646)	261,166	(109,266)	486,726
Net increase (decrease) in net assets resulting from operations	(497,847)	332,633	(329,913)	1,018,472
<b>Contract transactions</b>				
Payments received from contract owners	28,769	60,102	49,871	56,283
Transfers between subaccounts (including fixed accounts), net	6,228	184,730	178,729	340,749
Payment for contract benefits and terminations	(1,867,422)	(3,109,264)	(1,393,407)	(2,843,629)
Contract charges and fees	(5,189)	(17,016)	(12,759)	(21,066)
Adjustments to net assets allocated to contracts in payout period	-	-	1,393	(480)
Net increase (decrease) in net assets from contract transactions	(1,837,614)	(2,881,448)	(1,176,173)	(2,468,143)
Total increase (decrease) in net assets	(2,335,461)	(2,548,815)	(1,506,086)	(1,449,671)
<b>Net assets</b>				
Beginning of period	19,558,399	22,107,214	19,540,939	20,990,610
End of period	\$ 17,222,938	\$ 19,558,399	\$ 18,034,853	\$ 19,540,939

\*Unaudited

See accompanying notes to financial statements

**CMFG Variable Annuity Account**  
**Statements of Changes in Net Assets (Continued)**

	Ultra Series High Income Fund, Class II, Subaccount		Ultra Series International Stock Fund, Class I, Subaccount	
	Period Ended June 30, 2018*	Year Ended December 31, 2017	Period Ended June 30, 2018*	Year Ended December 31, 2017
<b>Increase (decrease) in net assets from operations</b>				
Net investment income (loss)	\$ (35,454)	\$ 184,822	\$ (138,226)	\$ (8,728)
Net realized gain (loss) on investments	(26,653)	(34,839)	170,001	(18,355)
Net change in unrealized appreciation (depreciation) on investments	(40,415)	104,237	(784,236)	4,740,165
Net increase (decrease) in net assets resulting from operations	(102,522)	254,220	(752,461)	4,713,082
<b>Contract transactions</b>				
Payments received from contract owners	17,218	18,556	54,627	241,445
Transfers between subaccounts (including fixed accounts), net	147,571	874,076	(136,743)	(264,539)
Payment for contract benefits and terminations	(421,731)	(840,150)	(1,783,821)	(3,896,458)
Contract charges and fees	(31,417)	(58,669)	(22,765)	(36,692)
Adjustments to net assets allocated to contracts in payout period	-	-	(4,965)	2,113
Net increase (decrease) in net assets from contract transactions	(288,359)	(6,187)	(1,893,667)	(3,954,131)
Total increase (decrease) in net assets	(390,881)	248,033	(2,646,128)	758,951
<b>Net assets</b>				
Beginning of period	5,561,885	5,313,852	24,794,637	24,035,686
End of period	\$ 5,171,004	\$ 5,561,885	\$ 22,148,509	\$ 24,794,637

	Ultra Series International Stock Fund, Class II, Subaccount		Ultra Series Large Cap Growth Fund, Class I, Subaccount	
	Period Ended June 30, 2018*	Year Ended December 31, 2017	Period Ended June 30, 2018*	Year Ended December 31, 2017
<b>Increase (decrease) in net assets from operations</b>				
Net investment income (loss)	\$ (84,668)	\$ (39,085)	\$ (444,770)	\$ (401,555)
Net realized gain (loss) on investments	242,841	277,474	1,619,995	11,205,562
Net change in unrealized appreciation (depreciation) on investments	(563,496)	2,272,400	(1,058,097)	2,724,606
Net increase (decrease) in net assets resulting from operations	(405,323)	2,510,789	117,128	13,528,613
<b>Contract transactions</b>				
Payments received from contract owners	29,095	51,220	212,038	411,829
Transfers between subaccounts (including fixed accounts), net	(406,224)	162,118	(432,522)	(1,700,288)
Payment for contract benefits and terminations	(944,630)	(2,127,437)	(5,122,319)	(9,569,281)
Contract charges and fees	(67,302)	(134,936)	(41,865)	(63,036)
Adjustments to net assets allocated to contracts in payout period	-	-	1,046	(9,024)
Net increase (decrease) in net assets from contract transactions	(1,389,061)	(2,049,035)	(5,383,622)	(10,929,800)
Total increase (decrease) in net assets	(1,794,384)	461,754	(5,266,494)	2,598,813
<b>Net assets</b>				
Beginning of period	13,257,281	12,795,527	72,371,294	69,772,481
End of period	\$ 11,462,897	\$ 13,257,281	\$ 67,104,800	\$ 72,371,294

\*Unaudited

See accompanying notes to financial statements

**CMFG Variable Annuity Account**  
**Statements of Changes in Net Assets (Continued)**

	Ultra Series Large Cap Growth Fund, Class II, Subaccount		Ultra Series Large Cap Value Fund, Class I, Subaccount	
	Period Ended	Year Ended	Period Ended	Year Ended
	June 30, 2018*	December 31, 2017	June 30, 2018*	December 31, 2017
<b>Increase (decrease) in net assets from operations</b>				
Net investment income (loss)	\$ (149,557)	\$ (181,919)	\$ (631,581)	\$ 1,021,325
Net realized gain (loss) on investments	581,940	3,785,248	502,382	5,393,257
Net change in unrealized appreciation (depreciation) on investments	(416,887)	858,803	534,635	7,674,140
Net increase (decrease) in net assets resulting from operations	15,496	4,462,132	405,436	14,088,722
<b>Contract transactions</b>				
Payments received from contract owners	57,998	95,944	269,959	633,175
Transfers between subaccounts (including fixed accounts), net	(800,561)	(798,240)	(711,095)	(1,249,456)
Payment for contract benefits and terminations	(1,894,880)	(3,842,269)	(6,822,489)	(13,553,036)
Contract charges and fees	(122,076)	(246,082)	(42,805)	(70,671)
Adjustments to net assets allocated to contracts in payout period	-	-	(564)	(11,019)
Net increase (decrease) in net assets from contract transactions	(2,759,519)	(4,790,647)	(7,306,994)	(14,251,007)
Total increase (decrease) in net assets	(2,744,023)	(328,515)	(6,901,558)	(162,285)
<b>Net assets</b>				
Beginning of period	23,445,270	23,773,785	104,030,206	104,192,491
End of period	\$ 20,701,247	\$ 23,445,270	\$ 97,128,648	\$ 104,030,206

	Ultra Series Large Cap Value Fund, Class II, Subaccount		Ultra Series Mid Cap Fund, Class I, Subaccount	
	Period Ended	Year Ended	Period Ended	Year Ended
	June 30, 2018*	December 31, 2017	June 30, 2018*	December 31, 2017
<b>Increase (decrease) in net assets from operations</b>				
Net investment income (loss)	\$ (37,215)	\$ 45,190	\$ (424,797)	\$ (875,611)
Net realized gain (loss) on investments	72,965	391,950	956,634	8,716,180
Net change in unrealized appreciation (depreciation) on investments	(16,655)	282,434	1,278,403	1,371,638
Net increase (decrease) in net assets resulting from operations	19,095	719,574	1,810,240	9,212,207
<b>Contract transactions</b>				
Payments received from contract owners	491	11,067	135,085	624,109
Transfers between subaccounts (including fixed accounts), net	(198,570)	1,013,743	(603,100)	(2,391,638)
Payment for contract benefits and terminations	(287,647)	(868,927)	(4,337,578)	(9,656,991)
Contract charges and fees	(30,860)	(44,959)	(36,951)	(61,132)
Adjustments to net assets allocated to contracts in payout period	-	-	4,387	1,736
Net increase (decrease) in net assets from contract transactions	(516,586)	110,924	(4,838,157)	(11,483,916)
Total increase (decrease) in net assets	(497,491)	830,498	(3,027,917)	(2,271,709)
<b>Net assets</b>				
Beginning of period	5,539,092	4,708,594	68,775,687	71,047,396
End of period	\$ 5,041,601	\$ 5,539,092	\$ 65,747,770	\$ 68,775,687

\*Unaudited

See accompanying notes to financial statements

**CMFG Variable Annuity Account**  
**Statements of Changes in Net Assets (Continued)**

	Ultra Series Mid Cap Fund, Class II, Subaccount		Ultra Series Moderate Allocation Fund, Class I, Subaccount	
	Period Ended	Year Ended	Period Ended	Year Ended
	June 30, 2018*	December 31, 2017	June 30, 2018*	December 31, 2017
<b>Increase (decrease) in net assets from operations</b>				
Net investment income (loss)	\$ (68,017)	\$ (143,596)	\$ (617,797)	\$ 665,158
Net realized gain (loss) on investments	243,966	1,522,426	677,465	6,699,810
Net change in unrealized appreciation (depreciation) on investments	82,798	5,321	(1,117,215)	5,977,719
Net increase (decrease) in net assets resulting from operations	258,747	1,384,151	(1,057,547)	13,342,687
<b>Contract transactions</b>				
Payments received from contract owners	16,594	29,525	186,670	747,933
Transfers between subaccounts (including fixed accounts), net	(376,901)	(126,350)	(574,900)	2,959,951
Payment for contract benefits and terminations	(724,752)	(1,815,159)	(7,485,972)	(20,008,246)
Contract charges and fees	(52,932)	(105,348)	(192,909)	(106,326)
Adjustments to net assets allocated to contracts in payout period	-	-	6,735	997
Net increase (decrease) in net assets from contract transactions	(1,137,991)	(2,017,332)	(8,060,376)	(16,405,691)
Total increase (decrease) in net assets	(879,244)	(633,181)	(9,117,923)	(3,063,004)
<b>Net assets</b>				
Beginning of period	10,508,613	11,141,794	105,078,970	108,141,974
End of period	\$ 9,629,369	\$ 10,508,613	\$ 95,961,047	\$ 105,078,970

	Ultra Series Moderate Allocation Fund, Class II, Subaccount		Vanguard VIF Money Market Portfolio, Subaccount	
	Period Ended	Year Ended	Period Ended	Year Ended
	June 30, 2018*	December 31, 2017	June 30, 2018*	December 31, 2017
<b>Increase (decrease) in net assets from operations</b>				
Net investment income (loss)	\$ (163,374)	\$ 78,357	\$ 50,407	\$ (68,603)
Net realized gain (loss) on investments	568,046	2,144,050	-	-
Net change in unrealized appreciation (depreciation) on investments	(670,594)	1,164,760	-	-
Net increase (decrease) in net assets resulting from operations	(265,922)	3,387,167	50,407	(68,603)
<b>Contract transactions</b>				
Payments received from contract owners	378,309	165,519	105,098	264,392
Transfers between subaccounts (including fixed accounts), net	782,664	1,175,237	364,490	20,703,309
Payment for contract benefits and terminations	(4,327,711)	(5,614,760)	(5,129,227)	(5,593,318)
Contract charges and fees	(109,109)	(217,880)	(81,370)	(119,312)
Adjustments to net assets allocated to contracts in payout period	-	-	(1,186)	(43,567)
Net increase (decrease) in net assets from contract transactions	(3,275,847)	(4,491,884)	(4,742,195)	15,211,504
Total increase (decrease) in net assets	(3,541,769)	(1,104,717)	(4,691,788)	15,142,901
<b>Net assets</b>				
Beginning of period	26,764,909	27,869,626	30,547,545	15,404,644
End of period	\$ 23,223,140	\$ 26,764,909	\$ 25,855,757	\$ 30,547,545

\*Unaudited

See accompanying notes to financial statements

# CMFG Variable Annuity Account

## Notes to Financial Statements (Unaudited)

### (1) Organization

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

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

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

#### **BlackRock Variable Series Funds, Inc.**

BlackRock Global Allocation V.I. Fund <sup>(2)</sup>

#### **Franklin Templeton Variable Insurance Products Trust**

Franklin Income VIP Fund

Franklin Mutual Global Discovery VIP Fund

Templeton Developing Markets VIP Fund <sup>(1)</sup>

#### **AIM Variable Insurance Funds**

##### **(Invesco Variable Insurance Funds)**

Invesco V.I. Global Real Estate Fund

Invesco V.I. Government Securities Fund <sup>(2)</sup>

Invesco V.I. Growth and Income Fund

Invesco V.I. Mid Cap Growth Fund

#### **MFS® Variable Insurance Trust II**

MFS® Strategic Income Portfolio <sup>(1)</sup>

#### **Oppenheimer Variable Account Funds**

Oppenheimer Global Strategic Income Fund/VA <sup>(1)</sup>

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 <sup>(1)</sup>

#### **Ultra Series Fund<sup>(3)</sup>**

Aggressive Allocation Fund

Core Bond Fund

Conservative Allocation Fund

Diversified Income Fund

Foundation Account<sup>(4)</sup>

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

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

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

<sup>(3)</sup> 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.

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

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

### (2) Significant Accounting Policies

#### *Basis of Presentation*

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



**CMFG Variable Annuity Account**  
**Notes to Financial Statements (Unaudited)**

**(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.



**CMFG Variable Annuity Account**  
**Notes to Financial Statements (Unaudited)**

**(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.

**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

**CMFG Variable Annuity Account**  
**Notes to Financial Statements (Unaudited)**

**(3) Fees and Charges (continued)**

an annual rate of 0.15%. These charges are included in administrative charges in the accompanying Statement of Operations of the applicable subaccount.

**(4) Fair Value**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

**CMFG Variable Annuity Account**  
**Notes to Financial Statements (Unaudited)**

**(4) Fair Value (continued)**

The following table summarizes the Account's assets that are measured at fair value as of June 30, 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.

June 30, 2018 Assets, at Fair Value	Total
BlackRock Global Allocation V.I. Fund, Class III, Subaccount	\$ 20,315,895
Franklin Income VIP Fund, Class 4, Subaccount	12,545,577
Franklin Mutual Global Discovery VIP Fund, Class 4, Subaccount	7,748,883
Templeton Developing Markets VIP Fund, Class 2, Subaccount	798,117
Invesco V.I. Global Real Estate Fund, Series II Shares, Subaccount	6,552,980
Invesco V.I. Government Securities Fund, Series II Shares, Subaccount	14,896,423
Invesco V.I. Growth and Income, Series II Shares, Subaccount	35,277,553
Invesco V.I. Mid Cap Growth, Series II Shares, Subaccount	8,329,792
MFS® Strategic Income Portfolio, Initial Class, Subaccount	630,575
Oppenheimer Global Strategic Income Fund/VA, Non-Service Shares, Subaccount	384,854
Oppenheimer International Growth Fund/VA, Service Shares, Subaccount	16,758,382
Oppenheimer Main Street Small Cap Fund®/VA, Service Shares, Subaccount	9,693,040
Oppenheimer Main Street Fund®/VA, Service Shares, Subaccount	17,994,697
PIMCO CommodityRealReturn® Strategy Portfolio, Advisor Class, Subaccount	8,473,624
PIMCO Global Bond Opportunities Portfolio (Unhedged), Advisor Class, Subaccount	17,379,994
PIMCO Total Return Portfolio, Advisor Class, Subaccount	36,050,317
T. Rowe Price International Stock Portfolio, Subaccount	4,714,822
Ultra Series Aggressive Allocation Fund, Class I, Subaccount	8,679,942
Ultra Series Aggressive Allocation Fund, Class II, Subaccount	2,185,335
Ultra Series Core Bond Fund, Class I, Subaccount	54,425,987
Ultra Series Core Bond Fund, Class II, Subaccount	14,858,190
Ultra Series Conservative Allocation Fund, Class I, Subaccount	52,164,309
Ultra Series Conservative Allocation Fund, Class II, Subaccount	25,993,794
Ultra Series Diversified Income Fund, Class I, Subaccount	104,965,855
Ultra Series Diversified Income Fund, Class II, Subaccount	36,532,569
Ultra Series Foundation Account, Class I, Subaccount	279,413
Ultra Series Foundation Account, Class II, Subaccount	17,222,938
Ultra Series High Income Fund, Class I, Subaccount	18,034,853
Ultra Series High Income Fund, Class II, Subaccount	5,171,004
Ultra Series International Stock Fund, Class I, Subaccount	22,148,509
Ultra Series International Stock Fund, Class II, Subaccount	11,462,897
Ultra Series Large Cap Growth Fund, Class I, Subaccount	67,104,800
Ultra Series Large Cap Growth Fund, Class II, Subaccount	20,701,247
Ultra Series Large Cap Value Fund, Class I, Subaccount	97,128,648
Ultra Series Large Cap Value Fund, Class II, Subaccount	5,041,601
Ultra Series Mid Cap Fund, Class I, Subaccount	65,747,770
Ultra Series Mid Cap Fund, Class II, Subaccount	9,629,369
Ultra Series Moderate Allocation Fund, Class I, Subaccount	95,961,047
Ultra Series Moderate Allocation Fund, Class II, Subaccount	23,223,140
Vanguard Variable Insurance Fund Money Market Portfolio, Subaccount	25,855,757

There were no Level 3 investments in the Account, therefore, Level 3 roll-forward tables have not been provided. There were no transfers between levels during the period ended June 30, 2018.

**CMFG Variable Annuity Account**  
**Notes to Financial Statements (Unaudited)**

**(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.

**CMFG Variable Annuity Account**  
**Notes to Financial Statements (Unaudited)**

**(5) Purchases and Sales of Investments**

The cost of purchases and proceeds from sales of investments in the various subaccounts for the period ended June 30, 2018 were as follows:

<b>Period Ended June 30, 2018</b>	<b>Purchases</b>	<b>Sales</b>
BlackRock Global Allocation V.I. Fund, Class III, Subaccount	\$ 9,473	\$ 4,826,155
Franklin Income VIP Fund, Class 4, Subaccount	712,891.59	2,566,052.36
Franklin Mutual Global Discovery VIP Fund, Class 4, Subaccount	97,226.32	1,222,990.28
Templeton Developing Markets VIP Fund, Class 2, Subaccount	7,491.57	48,922.01
Invesco V.I. Global Real Estate Fund, Series II Shares, Subaccount	38,399.03	896,722.51
Invesco V.I. Government Securities Fund, Series II Shares, Subaccount	197,181.64	1,525,255.63
Invesco V.I. Growth and Income, Series II Shares, Subaccount	103,552.11	5,528,154.58
Invesco V.I. Mid Cap Growth, Series II Shares, Subaccount	78,410.99	2,879,335.40
MFS® Strategic Income Portfolio, Initial Class, Subaccount	113.84	23,136.59
Oppenheimer Global Strategic Income Fund/VA, Non-Service Shares, Subaccount	20,035.69	29,968.80
Oppenheimer International Growth Fund/VA, Service Shares, Subaccount	670,013.75	4,157,766.93
Oppenheimer Main Street Small Cap Fund®/VA, Service Shares, Subaccount	1,233,497.74	2,289,948.23
Oppenheimer Main Street Fund®/VA, Service Shares, Subaccount	1,891,962.01	2,853,673.00
PIMCO Commodity - RealReturn® Strategy Portfolio, Advisor Class, Subaccount	240,496.64	996,489.66
PIMCO Global Bond Opportunities Portfolio (Unhedged), Advisor Class, Subaccount	315,152.86	2,413,659.35
PIMCO Total Return Portfolio, Advisor Class, Subaccount	838,135.54	3,799,158.07
T. Rowe Price International Stock Portfolio, Subaccount	74,544.13	504,902.79
Ultra Series Aggressive Allocation Fund, Class I, Subaccount	169,507.49	837,352.42
Ultra Series Aggressive Allocation Fund, Class II, Subaccount	6,800.54	78,083.41
Ultra Series Core Bond Fund, Class I, Subaccount	927,298.68	5,333,234.49
Ultra Series Core Bond Fund, Class II, Subaccount	381,514.40	913,070.58
Ultra Series Conservative Allocation Fund, Class I, Subaccount	745,046.98	5,357,269.51
Ultra Series Conservative Allocation Fund, Class II, Subaccount	74,599.46	3,624,799.62
Ultra Series Diversified Income Fund, Class I, Subaccount	1,381,014.38	8,655,473.14
Ultra Series Diversified Income Fund, Class II, Subaccount	256,172.58	3,476,057.50
Ultra Series Foundation Account, Class I, Subaccount	320.15	9,011.51
Ultra Series Foundation Account, Class II, Subaccount	130,391.88	2,087,537.35
Ultra Series High Income Fund, Class I, Subaccount	198,500.36	1,468,701.45
Ultra Series High Income Fund, Class II, Subaccount	64,497.70	388,310.55
Ultra Series International Stock Fund, Class I, Subaccount	398,483.29	2,430,376.79
Ultra Series International Stock Fund, Class II, Subaccount	16,630.75	1,490,359.90
Ultra Series Large Cap Growth Fund, Class I, Subaccount	1,600,690.46	6,667,753.27
Ultra Series Large Cap Growth Fund, Class II, Subaccount	264,563.80	2,934,423.67
Ultra Series Large Cap Value Fund, Class I, Subaccount	1,159,920.20	8,688,775.73
Ultra Series Large Cap Value Fund, Class II, Subaccount	29,104.36	561,450.64
Ultra Series Mid Cap Fund, Class I, Subaccount	364,601.55	5,494,604.09
Ultra Series Mid Cap Fund, Class II, Subaccount	22,678.81	1,208,749.26
Ultra Series Moderate Allocation Fund, Class I, Subaccount	490,197.13	8,918,096.57
Ultra Series Moderate Allocation Fund, Class II, Subaccount	1,302,935.02	4,682,465.46
Vanguard VIF Money Market Portfolio, Subaccount	2,590,093.54	7,281,881.04

*See accompanying notes to financial statements*

**CMFG Variable Annuity Account**  
**Notes to Financial Statements (Unaudited)**

**(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:

<b>Year Ended December 31, 2017</b>	<b>Purchases</b>	<b>Sales</b>
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

*See accompanying notes to financial statements*



**CMFG Variable Annuity Account**  
**Notes to Financial Statements (Unaudited)**

**(6) Changes in Units Outstanding**

The changes in units outstanding for the period ended June 30, 2018 and the year ended December 31, 2017 were as follows:

	<b>BlackRock Global Allocation V.I. Fund, Class III, Subaccount</b>	<b>Franklin Income VIP Fund, Class 4, Subaccount</b>	<b>Franklin Mutual Global Discovery VIP Fund, Class 4, Subaccount</b>
<b>Units outstanding at December 31, 2016</b>	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)
<b>Units outstanding at December 31, 2017</b>	<b>1,779,733</b>	<b>1,002,492</b>	<b>577,130</b>
Units issued	28,181	360,176	299,671
Units redeemed	(351,826)	(517,469)	(367,390)
<b>Units outstanding at June 30, 2018</b>	<b>1,456,088</b>	<b>845,199</b>	<b>509,411</b>

	<b>Templeton Developing Markets VIP Fund, Class 2, Subaccount</b>	<b>Invesco V.I. Global Real Estate Fund, Series II Shares, Subaccount</b>	<b>Invesco V.I. Government Securities Fund, Series II Shares, Subaccount</b>
<b>Units outstanding at December 31, 2016</b>	58,608	776,727	1,712,331
Units issued	23	766,423	1,739,222
Units redeemed	(4,075)	(899,735)	(1,886,792)
<b>Units outstanding at December 31, 2017</b>	<b>54,556</b>	<b>643,415</b>	<b>1,564,761</b>
Units issued	-	340,552	837,613
Units redeemed	(2,561)	(412,135)	(954,849)
<b>Units outstanding at June 30, 2018</b>	<b>51,995</b>	<b>571,832</b>	<b>1,447,525</b>

	<b>Invesco V.I. Growth and Income, Series II Shares, Subaccount</b>	<b>Invesco V.I. Mid Cap Growth, Series II Shares, Subaccount</b>	<b>MFS® Strategic Income Portfolio, Initial Class, Subaccount</b>
<b>Units outstanding at December 31, 2016</b>	3,131,848	798,134	31,453
Units issued	2,596,508	746,451	3
Units redeemed	(3,530,976)	(948,609)	(3,205)
<b>Units outstanding at December 31, 2017</b>	<b>2,197,380</b>	<b>595,976</b>	<b>28,251</b>
Units issued	1,096,307	251,416	-
Units redeemed	(1,369,008)	(401,382)	(787)
<b>Units outstanding at June 30, 2018</b>	<b>1,924,679</b>	<b>446,010</b>	<b>27,464</b>

	<b>Oppenheimer Global Strategic Income Fund/VA, Service Shares, Subaccount</b>	<b>Oppenheimer Main International Growth Fund/VA, Service Shares, Subaccount</b>	<b>Oppenheimer Main Street Small Cap Fund®/VA, Service Shares, Subaccount</b>
<b>Units outstanding at December 31, 2016</b>	100,633	1,979,513	701,356
Units issued	77	1,858,858	607,463
Units redeemed	(13,191)	(2,304,692)	(798,078)
<b>Units outstanding at December 31, 2017</b>	<b>87,519</b>	<b>1,533,679</b>	<b>510,741</b>
Units issued	39	720,113	221,108
Units redeemed	(5,500)	(987,379)	(318,658)
<b>Units outstanding at June 30, 2018</b>	<b>82,058</b>	<b>1,266,413</b>	<b>413,191</b>

See accompanying notes to financial statements

**CMFG Variable Annuity Account**  
**Notes to Financial Statements (Unaudited)**

**(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
<b>Units outstanding at December 31, 2016</b>	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)
<b>Units outstanding at December 31, 2017</b>	<b>1,093,770</b>	<b>2,172,756</b>	<b>1,617,704</b>
Units issued	501,776	1,222,457	869,182
Units redeemed	(637,299)	(1,415,115)	(1,041,919)
<b>Units outstanding at June 30, 2018</b>	<b>958,247</b>	<b>1,980,098</b>	<b>1,444,967</b>

	PIMCO Total Return Portfolio, Advisor Class, Subaccount	T. Rowe Price International Stock Portfolio, Subaccount	Ultra Series Aggressive Allocation Fund, Class I, Subaccount
<b>Units outstanding at December 31, 2016</b>	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)
<b>Units outstanding at December 31, 2017</b>	<b>2,942,836</b>	<b>218,653</b>	<b>645,226</b>
Units issued	1,435,816	14	88,160
Units redeemed	(1,667,649)	(16,488)	(130,927)
<b>Units outstanding at June 30, 2018</b>	<b>2,711,003</b>	<b>202,179</b>	<b>602,459</b>

	Ultra Series Aggressive Allocation Fund, Class II, Subaccount	Ultra Series Core Bond Fund, Class I, Subaccount	Ultra Series Core Bond Fund, Class II, Subaccount
<b>Units outstanding at December 31, 2016</b>	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)
<b>Units outstanding at December 31, 2017</b>	<b>101,895</b>	<b>4,003,921</b>	<b>1,347,972</b>
Units issued	3,801	1,985,787	768,460
Units redeemed	(6,633)	(2,268,523)	(805,576)
<b>Units outstanding at June 30, 2018</b>	<b>99,063</b>	<b>3,721,185</b>	<b>1,310,856</b>

	Ultra Series Conservative Allocation Fund, Class I, Subaccount	Ultra Series Conservative Allocation Fund, Class II, Subaccount	Ultra Series Diversified Income Fund, Class I, Subaccount
<b>Units outstanding at December 31, 2016</b>	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)
<b>Units outstanding at December 31, 2017</b>	<b>4,122,142</b>	<b>1,848,460</b>	<b>4,825,767</b>
Units issued	637,004	323,061	1,027,709
Units redeemed	(950,400)	(534,473)	(1,329,085)
<b>Units outstanding at June 30, 2018</b>	<b>3,808,746</b>	<b>1,637,048</b>	<b>4,524,391</b>

See accompanying notes to financial statements



**CMFG Variable Annuity Account**  
**Notes to Financial Statements (Unaudited)**

**(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
<b>Units outstanding at December 31, 2016</b>	2,281,872	30,384	2,057,959
Units issued	371,708	5,868	136,109
Units redeemed	(609,404)	(9,506)	(402,341)
<b>Units outstanding at December 31, 2017</b>	<b>2,044,176</b>	<b>26,746</b>	<b>1,791,727</b>
Units issued	67,047	-	22,014
Units redeemed	(225,202)	(657)	(195,595)
<b>Units outstanding at June 30, 2018</b>	<b>1,886,021</b>	<b>26,089</b>	<b>1,618,146</b>

	Ultra Series High Income Fund, Class I, Subaccount	Ultra Series High Income Fund, Class II, Subaccount	Ultra Series International Stock Fund, Class I, Subaccount
<b>Units outstanding at December 31, 2016</b>	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)
<b>Units outstanding at December 31, 2017</b>	<b>935,135</b>	<b>335,343</b>	<b>1,294,362</b>
Units issued	414,061	196,235	647,200
Units redeemed	(472,391)	(213,651)	(747,804)
<b>Units outstanding at June 30, 2018</b>	<b>876,805</b>	<b>317,927</b>	<b>1,193,758</b>

	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
<b>Units outstanding at December 31, 2016</b>	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)
<b>Units outstanding at December 31, 2017</b>	<b>750,400</b>	<b>2,682,472</b>	<b>890,884</b>
Units issued	396,942	881,237	457,606
Units redeemed	(474,991)	(1,086,192)	(561,310)
<b>Units outstanding at June 30, 2018</b>	<b>672,351</b>	<b>2,477,517</b>	<b>787,180</b>

	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
<b>Units outstanding at December 31, 2016</b>	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)
<b>Units outstanding at December 31, 2017</b>	<b>3,808,103</b>	<b>210,521</b>	<b>2,104,222</b>
Units issued	1,191,021	118,480	709,456
Units redeemed	(1,462,409)	(137,758)	(862,467)
<b>Units outstanding at June 30, 2018</b>	<b>3,536,715</b>	<b>191,243</b>	<b>1,951,211</b>

See accompanying notes to financial statements

**CMFG Variable Annuity Account**  
**Notes to Financial Statements (Unaudited)**

**(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
<b>Units outstanding at December 31, 2016</b>	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)
<b>Units outstanding at December 31, 2017</b>	<b>356,836</b>	<b>7,247,575</b>	<b>1,376,659</b>
Units issued	181,785	640,326	240,743
Units redeemed	(219,878)	(1,194,260)	(407,126)
<b>Units outstanding at June 30, 2018</b>	<b>318,743</b>	<b>6,693,641</b>	<b>1,210,276</b>

	Vanguard VIF Money Market Portfolio, Subaccount
<b>Units outstanding at December 31, 2016</b>	1,554,591
Units issued	4,203,540
Units redeemed	(2,671,304)
<b>Units outstanding at December 31, 2017</b>	<b>3,086,827</b>
Units issued	1,313,993
Units redeemed	(1,791,150)
<b>Units outstanding at June 30, 2018</b>	<b>2,609,670</b>

*See accompanying notes to financial statements*

**CMFG Variable Annuity Account**  
**Notes to Financial Statements (Unaudited)**

**(7) Financial Highlights**

The table below provides financial highlights for each subaccount for the period ended June 30, 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										
6/30/2018	1,456	\$ 13.96	to \$ 13.64	\$ 20,316		0.00%	1.30% to 1.80%	-2.24%	to	-2.43%
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										
6/30/2018	845	\$ 15.07	to \$ 15.37	\$ 12,546		4.40%	1.15% to 1.80%	0.13%	to	-0.19%
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										
6/30/2018	509	\$ 15.51	to \$ 15.96	\$ 7,749		0.00%	1.15% to 1.80%	-2.08%	to	-2.44%
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										
6/30/2018	52	\$ 15.35	to (a)	\$ 798		0.80%	1.40%	-8.41%	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										
6/30/2018	572	\$ 11.92	to \$ 13.41	\$6,553		0.00%	1.15% to 1.80%	-0.58%	to	-0.96%
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%

See accompanying notes to financial statements

**CMFG Variable Annuity Account**  
**Notes to Financial Statements (Unaudited)**

**(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										
6/30/2018	1,448	\$ 10.32	to \$ 9.81	\$14,896	0.00%	1.30% to 1.80%	-1.62%	to	-1.80%	
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										
6/30/2018	1,925	\$ 18.59	to \$ 19.23	\$35,278	0.00%	1.15% to 1.80%	-2.05%	to	-2.44%	
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										
6/30/2018	446	\$ 18.64	to \$ 19.29	\$8,330	0.00%	1.15% to 1.80%	7.19%	to	6.81%	
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										
6/30/2018	27	\$ 22.96	to (a)	\$ 631	0.00%	1.40%	-3.24%	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										
6/30/2018	82	\$ 4.69	to (a)	\$ 385	4.78%	1.40%	-3.70%	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										
6/30/2018	1,266	\$ 13.66	to \$ 13.80	\$ 16,758	0.53%	1.15% to 1.80%	-3.74%	to	-4.10%	
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%	

See accompanying notes to financial statements

**CMFG Variable Annuity Account**  
**Notes to Financial Statements (Unaudited)**

**(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									
6/30/2018	413	\$ 23.94	to \$ 23.58	\$ 9,693	0.06%	1.15% to 1.80%	7.31%	to	6.94%
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									
6/30/2018	958	\$ 19.13	to \$ 19.75	\$ 17,995	0.87%	1.15% to 1.80%	-0.67%	to	-1.05%
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									
6/30/2018	1,980	\$ 4.32	to \$ 3.81	\$ 8,474	1.35%	1.15% to 1.80%	-0.69%	to	-1.04%
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									
6/30/2018	1,445	\$ 12.28	to \$ 11.53	\$ 17,380	0.87%	1.15% to 1.80%	-3.00%	to	-3.27%
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									
6/30/2018	2,711	\$ 13.49	to \$ 12.93	\$ 36,050	1.09%	1.15% to 1.80%	-2.39%	to	-2.64%
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									
6/30/2018	202	\$ 23.32	to (a)	\$ 4,715	0.00%	1.40%	-2.95%	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)

See accompanying notes to financial statements

**CMFG Variable Annuity Account**  
**Notes to Financial Statements (Unaudited)**

**(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										
6/30/2018	602	\$ 14.00	to \$ 14.72	\$ 8,680	0.04%	1.15% to 1.80%	-0.64%	to	-1.01%	
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										
6/30/2018	99	\$ 22.06	to (b)	\$ 2,185	0.00%	1.30%	-0.85%	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										
6/30/2018	3,721	\$ 16.14	to \$ 11.42	\$ 54,426	0.07%	1.15% to 1.80%	-2.30%	to	-2.64%	
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										
6/30/2018	1,311	\$ 11.42	to \$ 10.83	\$ 14,858	0.00%	1.30% to 1.80%	-2.56%	to	-2.87%	
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										
6/30/2018	3,809	\$ 13.59	to \$ 12.69	\$ 52,164	0.10%	1.15% to 1.80%	-1.24%	to	-1.63%	
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										
6/30/2018	1,637	\$ 15.91	to \$ 14.67	\$ 25,994	0.00%	1.30% to 1.80%	-1.49%	to	-1.74%	
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%	

See accompanying notes to financial statements

**CMFG Variable Annuity Account**  
**Notes to Financial Statements (Unaudited)**

**(7) Financial Highlights (continued)**

As of						For the period ended				
						(1)	(2)	(3)		
						Investment	Expense Ratio	Total Return for		
						Income Ratio	Lowest to	Lowest to Highest		
							Highest	Expense Ratio		
Units	Unit Value for				Net Assets					
(000's)	Lowest to Highest				(000's)					
	Expense Ratio									
Ultra Series Diversified Income Fund, Class I, Subaccount										
6/30/2018	4,524	\$ 19.75	to	\$ 16.30	\$ 104,966	0.06%	1.15% to 1.80%	-2.08%	to	-2.40%
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										
6/30/2018	1,886	\$ 19.45	to	\$ 18.64	\$ 36,533	0.00%	1.30% to 1.80%	-2.26%	to	-2.51%
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										
6/30/2018	26	\$ 10.71	to	(a)	\$ 279	0.08%	1.30%	-2.46%	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										
6/30/2018	1,618	\$ 10.66	to	\$ 10.22	\$ 17,223	0.00%	1.30% to 1.80%	-2.47%	to	-2.67%
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										
6/30/2018	877	\$ 23.77	to	\$ 15.31	\$ 18,035	0.12%	1.15% to 1.80%	-1.70%	to	-1.98%
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										
6/30/2018	318	\$ 16.43	to	\$ 15.30	\$ 5,171	0.01%	1.30% to 1.80%	-1.85%	to	-2.17%
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%

See accompanying notes to financial statements

**CMFG Variable Annuity Account**  
**Notes to Financial Statements (Unaudited)**

**(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										
6/30/2018	1,194	\$ 18.35	to \$ 9.56	\$ 22,149		0.05%	1.15% to 1.80%	-3.22%	to -3.43%	
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										
6/30/2018	672	\$ 17.35	to \$ 15.20	\$ 11,463		0.00%	1.30% to 1.80%	-3.40%	to -3.68%	
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										
6/30/2018	2,478	\$ 17.65	to \$ 16.92	\$ 67,105		0.01%	1.15% to 1.80%	0.28%	to -0.12%	
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										
6/30/2018	787	\$ 26.61	to \$ 24.39	\$ 20,701		0.00%	1.30% to 1.80%	0.00%	to -0.25%	
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										
6/30/2018	3,537	\$ 18.61	to \$ 14.65	\$ 97,129		0.03%	1.15% to 1.80%	0.43%	to 0.07%	
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										
6/30/2018	191	\$ 26.91	to \$ 24.76	\$ 5,042		0.00%	1.30% to 1.80%	0.22%	to 0.00%	
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%	

See accompanying notes to financial statements



**CMFG Variable Annuity Account**  
**Notes to Financial Statements (Unaudited)**

**(7) Financial Highlights (continued)**

As of						For the period ended				
		Unit Value for		Net Assets		(1)	(2)	(3)		
Units		Lowest to Highest		(000's)		Investment	Expense Ratio	Total Return for		
(000's)		Expense Ratio				Income Ratio	Lowest to Highest	Lowest to Highest		
								Expense Ratio		
Ultra Series Mid Cap Fund, Class I, Subaccount										
6/30/2018	1,951	\$ 33.94	to \$ 17.92	\$ 65,748	0.00%	1.15% to 1.80%	2.79%	to	2.52%	
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										
6/30/2018	319	\$ 30.47	to \$ 28.71	\$ 9,629	0.00%	1.30% to 1.80%	2.63%	to	2.35%	
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										
6/30/2018	6,694	\$ 13.99	to \$ 12.53	\$ 95,961	0.03%	1.15% to 1.80%	-1.06%	to	-1.34%	
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										
6/30/2018	1,210	\$ 19.28	to \$ 17.98	\$ 23,223	0.00%	1.30% to 1.80%	-1.18%	to	-1.43%	
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										
6/30/2018	2,610	\$ 9.95	to \$ 9.76	\$ 25,856	0.84%	1.15% to 1.80%	0.20%	to	0.00%	
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 <sup>(c)</sup>	3,109	9.93	to 9.87	15,405	48.00%	1.15% to 1.80%	-0.70%	to	-1.30%	

See accompanying notes to financial statements

**CMFG Variable Annuity Account**  
**Notes to Financial Statements (Unaudited)**

**(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.



# MFS® Strategic Income Portfolio

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MFS® Variable Insurance Trust II

# MFS® Strategic Income Portfolio

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**The report is prepared for the general information of contract owners. It is authorized for distribution to prospective investors only when preceded or accompanied by a current prospectus.**

NOT FDIC INSURED • MAY LOSE VALUE • NO BANK OR CREDIT UNION GUARANTEE •  
NOT A DEPOSIT • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY OR NCUA/NCUSIF

## LETTER FROM THE EXECUTIVE CHAIRMAN



Dear Contract Owners:

Rising bond yields, international trade friction and geopolitical uncertainty have contributed to a measurable uptick in market volatility — a departure from the low-volatility environment that prevailed for much of 2017. In recent months, against this more challenging backdrop, global markets have given back some of the strong gains recorded during 2017 and early 2018. But global economic growth remains healthy, notwithstanding signs of a modest slowdown over the past few months, particularly in Europe and China.

Although the U.S. Federal Reserve continues to gradually raise interest rates and shrink its balance sheet, monetary policy remains accommodative around the world, with many central banks taking only tentative steps toward tighter policies. Newly enacted U.S. tax reforms have been welcomed by equity markets, while emerging market economies have recently had to contend with tighter financial conditions as a result of firmer U.S. Treasury yields and a stronger dollar. Around the world, inflation remains largely subdued, but tight labor markets and solid global demand have investors on the lookout for its potential resurgence. Increased U.S. protectionism is also a growing concern, as investors fear that trade disputes could dampen business sentiment, leading to slower global growth.

As a global investment manager, MFS® strives to create long-term value for clients through an active approach and an investment platform built on nearly a century of expertise. To make that long-term value meaningful for clients, we work to align with you on our beliefs, your needs and the time it takes to deliver on your desired outcomes.

Respectfully,

A handwritten signature in black ink that reads "Robert J. Manning". The signature is written in a cursive, flowing style.

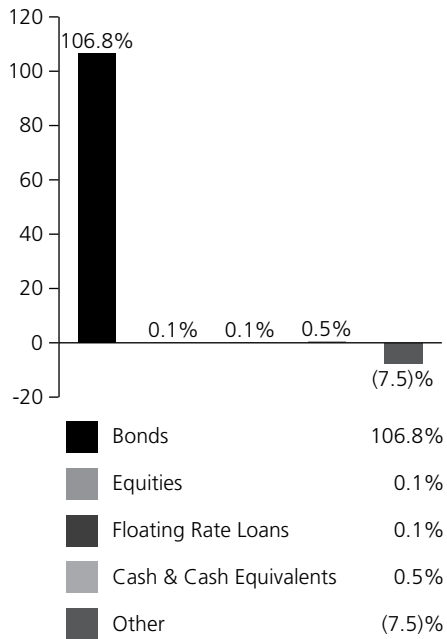
**Robert J. Manning**  
Executive Chairman  
MFS Investment Management

August 16, 2018

The opinions expressed in this letter are subject to change and may not be relied upon for investment advice. No forecasts can be guaranteed.

## PORTFOLIO COMPOSITION

### Portfolio structure (i)



### Fixed income sectors (i)

Investment Grade Corporates	31.3%
U.S. Treasury Securities	19.4%
High Yield Corporates	19.3%
Commercial Mortgage-Backed Securities	11.2%
Collateralized Debt Obligations	10.4%
Emerging Markets Bonds	8.4%
Asset-Backed Securities	4.4%
Municipal Bonds	0.6%
Mortgage-Backed Securities	0.6%
Non-U.S. Government Bonds	0.5%
Residential Mortgage-Backed Securities	0.3%
U.S. Government Agencies	0.3%
Floating Rate Loans	0.1%

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

AAA	12.0%
AA	3.4%
A	21.5%
BBB	21.6%
BB	12.8%
B	10.9%
CCC	1.8%
CC	0.4%
C	0.2%
U.S. Government	11.9%
Federal Agencies	0.9%
Not Rated	9.5%
Non-Fixed Income	0.1%
Cash & Cash Equivalents	0.5%
Other	(7.5)%

### Portfolio facts (i)

Average Duration (d)	5.7
Average Effective Maturity (m)	8.7 yrs.

- (a) For all securities other than those specifically described below, ratings are assigned to underlying securities utilizing ratings from Moody's, Fitch, and Standard & Poor's rating agencies and applying the following hierarchy: If all three agencies provide a rating, the middle rating (after dropping the highest and lowest ratings) is assigned; if two of the three agencies rate a security, the lower of the two is assigned. Ratings are shown in the S&P and Fitch scale (e.g., AAA). Securities rated BBB or higher are considered investment grade. All ratings are subject to change. U.S. Government includes securities issued by the U.S. Department of the Treasury. Federal Agencies includes rated and unrated U.S. Agency fixed-income securities, U.S. Agency mortgage-backed securities, and collateralized mortgage obligations of U.S. Agency mortgage-backed securities. Not Rated includes fixed income securities and fixed income derivatives, which have not been rated by any rating agency. Non-Fixed Income includes any equity securities (including convertible bonds and equity derivatives) and/or commodity-linked derivatives. The fund may or may not have held all of these instruments on this date. The fund is not rated by these agencies.
- (d) Duration is a measure of how much a bond's price is likely to fluctuate with general changes in interest rates, e.g., if rates rise 1.00%, a bond with a 5-year duration is likely to lose about 5.00% of its value due to the interest rate move.
- (i) For purposes of this presentation, the components include the value of securities, and reflect the impact of the equivalent exposure of derivative positions, if any. These amounts may be negative from time to time. Equivalent exposure is a calculated amount that translates the derivative position into a reasonable approximation of the amount of the underlying asset that the portfolio would have to hold at a given point in time to have the same price sensitivity that results from the portfolio's ownership of the derivative contract. When dealing with derivatives, equivalent exposure is a more representative measure of the potential impact of a position on portfolio performance than value. The bond component will include any accrued interest amounts.

*Portfolio Composition – continued*

(m) In determining each instrument's effective maturity for purposes of calculating the fund's dollar-weighted average effective maturity, MFS uses the instrument's stated maturity or, if applicable, an earlier date on which MFS believes it is probable that a maturity-shortening device (such as a put, pre-refunding or prepayment) will cause the instrument to be repaid. Such an earlier date can be substantially shorter than the instrument's stated maturity.

Where the fund holds convertible bonds, they are treated as part of the equity portion of the portfolio.

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

Cash & Cash Equivalents includes any cash, investments in money market funds, short-term securities, and other assets less liabilities. Please see the Statement of Assets and Liabilities for additional information related to the fund's cash position and other assets and liabilities.

Other includes equivalent exposure from currency derivatives and/or any offsets to derivative positions and may be negative.

Percentages are based on net assets as of June 30, 2018.

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

## EXPENSE TABLE

### Fund Expenses Borne by the Contract Holders during the Period, January 1, 2018 through June 30, 2018

As a contract holder of the fund, you incur ongoing costs, including management fees; distribution and/or service (12b-1) fees; and other fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the fund and to compare these costs with the ongoing costs of investing in other mutual funds.

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

The example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period January 1, 2018 through June 30, 2018.

#### Actual Expenses

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

#### Hypothetical Example for Comparison Purposes

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

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

Share Class		Annualized Expense Ratio	Beginning Account Value 1/01/18	Ending Account Value 6/30/18	Expenses Paid During Period (p) 1/01/18-6/30/18
Initial Class	Actual	0.80%	\$1,000.00	\$974.59	\$3.92
	Hypothetical (h)	0.80%	\$1,000.00	\$1,020.83	\$4.01
Service Class	Actual	1.05%	\$1,000.00	\$974.36	\$5.14
	Hypothetical (h)	1.05%	\$1,000.00	\$1,019.59	\$5.26

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

(p) "Expenses Paid During Period" are equal to each class's annualized expense ratio, as shown above, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period). In addition to the fees and expenses which the fund bears directly, the fund indirectly bears a pro rata share of the fees and expenses of the underlying funds in which the fund invests. If these indirect costs were included, your costs would have been higher.



## PORTFOLIO OF INVESTMENTS – 6/30/18 (unaudited)

The Portfolio of Investments is a complete list of all securities owned by your fund. It is categorized by broad-based asset classes.

Issuer	Shares/Par	Value (\$)	Issuer	Shares/Par	Value (\$)
<b>BONDS – 79.3%</b>			<b>BONDS – continued</b>		
<b>Asset-Backed &amp; Securitized – 26.2%</b>			<b>Asset-Backed &amp; Securitized – continued</b>		
A Voce CLO Ltd., 2014-1A, "BR", FLR, 4.497% (LIBOR-3mo. + 2.15%), 7/15/2026 (n)	\$ 290,000	\$ 289,499	DT Auto Owner Trust, 2017-2A, "C", 3.03%, 1/17/2023 (n)	\$ 215,000	\$ 214,498
ALM Loan Funding CLO, 2015-16A, "BR2", 0%, 7/15/2027 (z)	260,000	260,000	DT Auto Owner Trust, 2018-2A, "C", 3.67%, 3/15/2024 (n)	82,000	81,944
Arbor Realty CLO Ltd., 2018-A, "FL-1", FLR, 3.059% (LIBOR-1mo. + 1.15%), 6/15/2028 (z)	260,000	260,017	Eaton Vance CLO Ltd., 2014-1A, "CR", FLR, 4.597% (LIBOR-3mo. + 2.25%), 7/15/2026 (n)	300,000	299,461
ARI Fleet Lease Trust, 2016-A, "A2", 1.82%, 7/15/2024 (n)	15,262	15,242	Exantas Capital Corp CLO Ltd., 2018-RS06, "B", FLR, 3.111% (LIBOR-1mo. + 1.15%), 6/15/2035 (z)	260,000	260,000
Babson CLO Ltd., 2013-IIA, "BR", FLR, 3.608% (LIBOR-3mo. + 1.25%), 1/20/2028 (n)	250,000	249,970	Falcon Franchise Loan LLC, 7.766%, 1/05/2023 (i)(z)	8,298	327
Babson CLO Ltd., 2014-IIA, "CR", FLR, 4.552% (LIBOR-3mo. + 2.2%), 10/17/2026 (n)	290,000	289,506	Figueroa CLO Ltd., 2014-1A, "DR", 0%, 1/15/2027 (w)(z)	250,000	250,000
Bancorp Commercial Mortgage Trust, 2018-CR3, "D", FLR, 4.773% (LIBOR-1mo. + 2.7%), 1/15/2033 (z)	248,157	248,824	Flatiron CLO Ltd., 2015-1A, "CR", FLR, 4.247% (LIBOR-3mo. + 1.9%), 4/15/2027 (n)	260,000	259,977
Bayview Financial Revolving Mortgage Loan Trust, FLR, 3.702% (LIBOR-1mo. + 1.6%), 12/28/2040 (z)	175,236	160,055	GMF Floorplan Owner Revolving Trust, 2017-2, "C", 2.63%, 7/15/2022 (z)	260,000	255,702
Benchmark Mortgage Trust, "2018-B1", 3.666%, 1/15/2051	251,384	250,594	GS Mortgage Securities Trust, 2017-GS6, "A3", 3.433%, 5/10/2050	177,406	173,462
Business Jet Securities LLC, 2018-1, "C", 7.748%, 2/15/2033 (z)	107,696	110,704	GS Mortgage Securities Trust, 2017-GS7, "A4", 3.43%, 8/10/2050	251,247	245,088
Cent CLO LP, 2014-21A, "A2AR", FLR, 4.065% (LIBOR-3mo. + 1.7%), 7/27/2026 (n)	250,000	249,819	Invitation Homes Trust, 2018-SFR1, "C", FLR, 3.335% (LIBOR-1mo. + 1.25%), 3/17/2037 (z)	130,000	130,158
Cent CLO LP, 2014-21A, "BR", FLR, 4.765% (LIBOR-3mo. + 2.4%), 7/27/2026 (n)	350,000	349,499	JPMorgan Chase Commercial Mortgage Securities Corp., 3.454%, 9/15/2050	134,136	131,309
Chesapeake Funding II LLC, 2017-2A, "C", 3.01%, 5/15/2029 (n)	215,000	213,171	JPMorgan Chase Commercial Mortgage Trust, 2007-LD11, "AM", 6.087%, 6/15/2049	49,122	49,880
Citigroup Commercial Mortgage Trust, 2017-C4, 3.471%, 10/12/2050	173,669	170,064	Lehman Brothers Commercial Conduit Mortgage Trust, 1.12%, 2/18/2030 (i)	6,507	0
Commercial Mortgage Pass-Through Certificates, "2017-BNK8", "A3", 3.229%, 11/15/2050	250,000	240,598	LoanCore Ltd., 2018-CRE1, "C", FLR, 4.89% (LIBOR-1mo. + 2.55%), 5/15/2028 (z)	260,000	260,322
Commercial Mortgage Pass-Through Certificates, "2018-BNK10", "A5", 3.688%, 2/15/2061	250,000	248,637	Morgan Stanley Bank of America Merrill Lynch Trust, 2017-C34, "A4", 3.536%, 11/15/2052	250,000	245,231
Commercial Mortgage Trust, 2015-PC1, "A5", 3.902%, 7/10/2050	346,107	349,688	Morgan Stanley Capital I Trust, 2017-H1, "A5", 3.53%, 6/15/2050	187,518	184,715
Commercial Mortgage Trust, 2017-CD4, "A4", 3.514%, 5/10/2050	112,627	110,826	Morgan Stanley Capital I, Inc., 1.493%, 4/28/2039 (i)(z)	218,363	175
Commercial Mortgage Trust, 2017-COR2, "A3", 3.51%, 9/10/2050	250,000	244,082	Neuberger Berman CLO Ltd., 2016-21A, "CR", FLR, 3.958% (LIBOR-3mo. + 1.6%), 4/20/2027 (n)	250,000	249,794
CPS Auto Trust, 2016-D, "B", 2.11%, 3/15/2021 (n)	215,000	213,600	NextGear Floorplan Master Owner Trust, 2017-2A, "B", 3.02%, 10/17/2022 (n)	212,000	209,816
Crest Ltd., CDO, 7%, (0.001% cash or 7% PIK) 1/28/2040 (a)(p)	709,081	74,808	NextGear Floorplan Master Owner Trust, 2018-1A, "B", 3.57%, 2/15/2023 (z)	200,000	199,127
Drive Auto Receivables Trust, 2017-1, "C", 2.84%, 4/15/2022	98,000	97,851	Oaktree CLO Ltd., 2014-2A, "BR", FLR, 4.908% (LIBOR-3mo. + 2.55%), 10/20/2026 (n)	300,000	299,564
			Parallel Ltd., 2015-1A, "DR", FLR, 4.908% (LIBOR-3mo. + 2.55%), 7/20/2027 (n)	250,000	247,654

# MFS Strategic Income Portfolio

Portfolio of Investments (unaudited) – continued

Issuer	Shares/Par	Value (\$)
<b>BONDS – continued</b>		
<b>Asset-Backed &amp; Securitized – continued</b>		
Race Point CLO Ltd., 2013-8A, "CR", FLR, 4.831% (LIBOR-3mo. + 2.5%), 2/20/2030 (n)	\$ 300,000	\$ 300,360
Santander Drive Auto Receivables Trust, 2017-2, "C", 2.79%, 8/15/2022	214,000	212,969
Shackleton CLO Ltd., 2014-6A, "CR", FLR, 4.602% (LIBOR-3mo. + 2.25%), 7/17/2026 (n)	290,000	289,517
Sierra Receivables Funding Co. LLC, 2015-1A, "A", 2.4%, 3/22/2032 (n)	41,352	41,026
Silver Spring CLO Ltd., FLR, 5.097% (LIBOR-3mo. + 2.75%), 10/15/2026 (n)	280,000	279,938
UBS Commercial Mortgage Trust 2017-C1, "A4", 3.544%, 11/15/2050	251,247	246,124
UBS Commercial Mortgage Trust 2017-C6, "A5", 3.579%, 12/15/2050	250,000	245,784
UBS Commercial Mortgage Trust 2017-C7, "A4", 3.679%, 12/15/2050	250,000	247,315
UBS Commercial Mortgage Trust 2017-C8, "A4", 3.983%, 2/15/2051	250,000	253,317
Voya CLO Ltd., 2013-3A, "BR", FLR, 4.505% (LIBOR-3mo. + 2.15%), 1/18/2026 (n)	290,000	291,355
Wells Fargo Commercial Mortgage Trust, 2017-C42, "A5", 3.589%, 12/15/2050	250,000	246,907
Wells Fargo Commercial Mortgage Trust, 2017-RB1, "A4", 3.374%, 3/15/2050	280,000	273,211
West CLO Ltd., 2014-1A, "CR", FLR, 5.355% (LIBOR-3mo. + 3%), 7/18/2026 (n)	260,000	259,990
		<u>\$ 12,133,071</u>
<b>Automotive – 0.3%</b>		
General Motors Co., 4.2%, 10/01/2027	\$ 134,000	\$ 128,357
<b>Broadcasting – 0.3%</b>		
Time Warner, Inc., 3.8%, 2/15/2027	\$ 125,000	\$ 118,047
<b>Brokerage &amp; Asset Managers – 1.3%</b>		
Charles Schwab Corp., 3.2%, 1/25/2028	\$ 228,000	\$ 218,357
E*TRADE Financial Corp., 4.5%, 6/20/2028	292,000	293,030
Raymond James Financial, Inc., 4.95%, 7/15/2046	75,000	76,423
		<u>\$ 587,810</u>
<b>Building – 0.7%</b>		
Martin Marietta Materials, Inc., 4.25%, 7/02/2024	\$ 215,000	\$ 216,948
Martin Marietta Materials, Inc., 3.5%, 12/15/2027	115,000	106,709
		<u>\$ 323,657</u>
<b>Cable TV – 1.1%</b>		
Cox Communications, Inc., 3.5%, 8/15/2027 (n)	\$ 200,000	\$ 186,052
Time Warner Cable, Inc., 8.25%, 4/01/2019	150,000	155,585
Time Warner Cable, Inc., 4.5%, 9/15/2042	183,000	150,362
		<u>\$ 491,999</u>

Issuer	Shares/Par	Value (\$)
<b>BONDS – continued</b>		
<b>Computer Software – 2.0%</b>		
Microsoft Corp., 3.125%, 11/03/2025	\$ 314,000	\$ 308,475
Microsoft Corp., 4.25%, 2/06/2047	295,000	312,924
Oracle Corp., 3.25%, 11/15/2027	315,000	301,195
		<u>\$ 922,594</u>
<b>Computer Software – Systems – 0.5%</b>		
Apple, Inc., 4.25%, 2/09/2047	\$ 250,000	\$ 253,562
<b>Conglomerates – 0.2%</b>		
United Technologies Corp., 4.05%, 5/04/2047	\$ 120,000	\$ 109,821
<b>Consumer Products – 1.4%</b>		
Reckitt Benckiser Treasury Services PLC, 3.625%, 9/21/2023 (n)	\$ 259,000	\$ 258,412
Reckitt Benckiser Treasury Services PLC, 2.75%, 6/26/2024 (n)	401,000	378,841
		<u>\$ 637,253</u>
<b>Consumer Services – 0.8%</b>		
Priceline Group, Inc., 3.55%, 3/15/2028	\$ 242,000	\$ 230,343
Toll Road Investors Partnership II LP, 0%, 2/15/2026 (n)	46,000	30,650
Toll Road Investors Partnership II LP, 0%, 2/15/2029 (n)	132,000	72,470
Toll Road Investors Partnership II LP, 0%, 2/15/2031 (n)	46,000	22,077
		<u>\$ 355,540</u>
<b>Emerging Market Quasi-Sovereign – 1.8%</b>		
KazMunayGas National Co., 5.375%, 4/24/2030 (n)	\$ 200,000	\$ 200,436
Petroleos del Peru S.A., 5.625%, 6/19/2047	200,000	194,500
PT Perusahaan Listrik Negara, 5.45%, 5/21/2028 (n)	234,000	237,693
Southern Gas Corridor CJSC, 6.875%, 3/24/2026	200,000	215,624
		<u>\$ 848,253</u>
<b>Emerging Market Sovereign – 5.0%</b>		
Arab Republic of Egypt, 6.588%, 2/21/2028 (n)	\$ 212,000	\$ 194,875
Government of Ukraine, 7.75%, 9/01/2021	135,000	132,975
Government of Ukraine, 7.75%, 9/01/2022	130,000	126,915
Republic of Angola, 8.25%, 5/09/2028 (n)	200,000	200,070
Republic of Argentina, 5.875%, 1/11/2028	95,000	77,188
Republic of Argentina, 7.125%, 7/06/2036	150,000	120,375
Republic of Cote d'Ivoire, 5.25%, 3/22/2030 (n)	EUR 100,000	111,492
Republic of Kenya, 6.875%, 6/24/2024	\$ 200,000	197,292
Republic of Paraguay, 5.6%, 3/13/2048 (n)	200,000	194,000
Republic of South Africa, 4.875%, 4/14/2026	212,000	203,943
Republic of South Africa, 10.5%, 12/21/2026	ZAR 1,093,000	87,272
Republic of South Africa, 5.875%, 6/22/2030	\$ 200,000	198,278

## Portfolio of Investments (unaudited) – continued

Issuer	Shares/Par	Value (\$)
<b>BONDS – continued</b>		
<b>Emerging Market Sovereign – continued</b>		
Republic of South Africa, 7%, 2/28/2031	ZAR 960,000	\$ 58,060
Republic of Sri Lanka, 5.75%, 4/18/2023 (n)	\$ 200,000	191,482
Republic of Turkey, 7.375%, 2/05/2025	218,000	225,412
		<u>\$ 2,319,629</u>
<b>Energy – Independent – 0.5%</b>		
Canadian Oil Sands Co., 7.75%, 5/15/2019 (z)	\$ 126,000	\$ 129,768
Canadian Oil Sands Co., 4.5%, 4/01/2022 (z)	118,000	120,123
		<u>\$ 249,891</u>
<b>Energy – Integrated – 0.5%</b>		
Shell International Finance B.V., 2.875%, 5/10/2026	\$ 225,000	\$ 213,813
<b>Food &amp; Beverages – 2.4%</b>		
Anheuser Busch InBev Worldwide, Inc., 4.439%, 10/06/2048	\$ 125,491	\$ 120,763
Anheuser-Busch InBev Worldwide, Inc., 3.75%, 1/15/2022	205,000	207,784
Anheuser-Busch InBev Worldwide, Inc., 3.3%, 2/01/2023	154,000	152,712
General Mills, Inc., 4.55%, 4/17/2038	311,000	296,774
Kraft Foods Group, Inc., 5%, 6/04/2042	269,000	256,817
Wm. Wrigley Jr. Co., 3.375%, 10/21/2020 (n)	81,000	81,223
		<u>\$ 1,116,073</u>
<b>Insurance – 1.2%</b>		
American International Group, Inc., 3.75%, 7/10/2025	\$ 168,000	\$ 162,276
American International Group, Inc., 3.9%, 4/01/2026	294,000	284,527
American International Group, Inc., 4.7%, 7/10/2035	59,000	57,397
American International Group, Inc., 4.5%, 7/16/2044	53,000	49,355
		<u>\$ 553,555</u>
<b>Insurance – Health – 0.4%</b>		
UnitedHealth Group, Inc., 3.75%, 10/15/2047	\$ 220,000	\$ 202,209
<b>Insurance – Property &amp; Casualty – 0.6%</b>		
Allied World Assurance Co. Holdings Ltd., 4.35%, 10/29/2025	\$ 310,000	\$ 301,591
<b>International Market Quasi-Sovereign – 0.6%</b>		
Dexia Credit Local S.A., 2.25%, 2/18/2020 (n)	\$ 270,000	\$ 267,280
<b>Machinery &amp; Tools – 0.3%</b>		
CNH Industrial Capital LLC, 3.85%, 11/15/2027	\$ 145,000	\$ 135,223

Issuer	Shares/Par	Value (\$)
<b>BONDS – continued</b>		
<b>Major Banks – 7.6%</b>		
Bank of America Corp., 2.151%, 11/09/2020	\$ 100,000	\$ 97,696
Bank of America Corp., 4.125%, 1/22/2024	75,000	76,234
Bank of America Corp., 3.248%, 10/21/2027	656,000	611,373
Bank of New York Mellon Corp., 3.5%, 4/28/2023	329,000	329,144
Barclays PLC, 3.25%, 1/12/2021	224,000	220,791
Credit Suisse Group AG, 3.574%, 1/09/2023 (n)	250,000	244,883
Credit Suisse Group AG, 3.869%, 1/12/2029 (n)	250,000	235,082
ING Bank N.V., 5.8%, 9/25/2023 (n)	322,000	341,202
JPMorgan Chase & Co., 3.125%, 1/23/2025	120,000	114,757
JPMorgan Chase & Co., 3.882% to 7/24/2037, FLR to 7/24/2038	269,000	248,447
Morgan Stanley, 3.7%, 10/23/2024	277,000	273,467
Morgan Stanley, 3.625%, 1/20/2027	317,000	304,392
Royal Bank of Scotland Group, PLC, FLR, 4.892% (LIBOR-3mo. + 1.754%), 5/18/2029	233,000	231,963
UBS Group Funding (Switzerland) AG, 4.253%, 3/23/2028 (n)	215,000	213,619
		<u>\$ 3,543,050</u>
<b>Medical &amp; Health Technology &amp; Services – 0.7%</b>		
Becton, Dickinson and Co., 3.734%, 12/15/2024	\$ 318,000	\$ 310,448
<b>Metals &amp; Mining – 0.9%</b>		
Glencore Funding LLC, 4.125%, 5/30/2023 (n)	\$ 164,000	\$ 163,641
Glencore Funding LLC, 4%, 4/16/2025 (n)	84,000	80,829
Glencore Funding LLC, 3.875%, 10/27/2027 (n)	167,000	154,319
		<u>\$ 398,789</u>
<b>Midstream – 1.4%</b>		
Kinder Morgan Energy Partners LP, 6.375%, 3/01/2041	\$ 320,000	\$ 343,396
MPLX LP, 4%, 3/15/2028	315,000	299,589
		<u>\$ 642,985</u>
<b>Mortgage-Backed – 0.6%</b>		
Fannie Mae, 5.5%, 3/01/2020 -9/01/2034	\$ 15,834	\$ 16,864
Fannie Mae, 6.5%, 4/01/2032	21,459	23,778
Freddie Mac, 4.224%, 3/25/2020	239,193	243,982
		<u>\$ 284,624</u>
<b>Municipals – 0.6%</b>		
New Jersey Economic Development Authority State Pension Funding Rev., Capital Appreciation, "B", AGM, 0%, 2/15/2023	\$ 350,000	\$ 295,158
<b>Network &amp; Telecom – 0.8%</b>		
AT&T, Inc., 5.45%, 3/01/2047	\$ 361,000	\$ 354,353
<b>Oils – 0.7%</b>		
Andeavor, 3.8%, 4/01/2028	\$ 67,000	\$ 63,280
Phillips 66, 4.875%, 11/15/2044	277,000	286,139
		<u>\$ 349,419</u>

# MFS Strategic Income Portfolio

Portfolio of Investments (unaudited) – continued

Issuer	Shares/Par	Value (\$)
<b>BONDS – continued</b>		
<b>Other Banks &amp; Diversified Financials – 0.7%</b>		
Compass Bank, 2.875%, 6/29/2022	\$ 250,000	\$ 241,343
JSC Kazkommertsbank, 5.5%, 12/21/2022	99,000	98,713
		<u>\$ 340,056</u>
<b>Pharmaceuticals – 1.5%</b>		
Actavis Funding SCS, 3.8%, 3/15/2025	\$ 179,000	\$ 173,817
Gilead Sciences, Inc., 3.65%, 3/01/2026	209,000	206,343
Johnson & Johnson, 2.9%, 1/15/2028	314,000	299,703
		<u>\$ 679,863</u>
<b>Supranational – 0.8%</b>		
Corporacion Andina de Fomento, 4.375%, 6/15/2022	\$ 340,000	\$ 351,727
<b>Telecommunications – Wireless – 1.5%</b>		
American Tower Corp., REIT, 3.55%, 7/15/2027	\$ 358,000	\$ 332,962
American Tower Corp., REIT, 3.6%, 1/15/2028	125,000	115,821
Vodafone Group PLC, 5.25%, 5/30/2048	259,000	258,283
		<u>\$ 707,066</u>
<b>Tobacco – 0.8%</b>		
B.A.T. Capital Corp., 3.557%, 8/15/2027 (n)	\$ 384,000	\$ 357,274
<b>U.S. Government Agencies and Equivalents – 0.3%</b>		
Small Business Administration, 6.35%, 4/01/2021	\$ 2,058	\$ 2,114
Small Business Administration, 4.77%, 4/01/2024	23,998	24,612
Small Business Administration, 4.99%, 9/01/2024	17,848	18,416
Small Business Administration, 4.86%, 1/01/2025	24,036	24,684
Small Business Administration, 4.625%, 2/01/2025	31,233	31,925
Small Business Administration, 5.11%, 8/01/2025	25,210	25,970
		<u>\$ 127,721</u>
<b>U.S. Treasury Obligations – 11.8%</b>		
U.S. Treasury Bonds, 4.75%, 2/15/2037	\$ 54,000	\$ 68,439
U.S. Treasury Bonds, 2.5%, 2/15/2045 (f)	748,000	681,995
U.S. Treasury Notes, 1.625%, 3/15/2020	3,450,000	3,398,789
U.S. Treasury Notes, 1.75%, 11/30/2021	530,000	514,348

Issuer	Shares/Par	Value (\$)
<b>BONDS – continued</b>		
<b>U.S. Treasury Obligations – continued</b>		
U.S. Treasury Notes, 1.75%, 2/28/2022	\$ 843,000	\$ 815,701
		<u>\$ 5,479,272</u>
<b>Utilities – Electric Power – 0.5%</b>		
Enel Finance International N.V., 3.625%, 5/25/2027 (n)	\$ 280,000	\$ 256,120
<b>Total Bonds (Identified Cost, \$37,898,802)</b>		<b><u>\$36,747,153</u></b>
<b>COMMON STOCKS – 0.0%</b>		
<b>Energy – Independent – 0.0%</b>		
Frontera Energy Corp. (a)(l) (Identified Cost, \$106,984)	1,188	\$ 17,256
<b>INVESTMENT COMPANIES (h) – 20.1%</b>		
<b>Bond Funds – 19.8%</b>		
MFS High Yield Pooled Portfolio (v)	1,019,907	\$ 9,168,959
<b>Money Market Funds – 0.3%</b>		
MFS Institutional Money Market Portfolio, 1.9% (v)	141,608	\$ 141,608
<b>Total Investment Companies (Identified Cost, \$10,563,869)</b>		<b><u>\$ 9,310,567</u></b>
<b>Underlying/ Expiration Date/ Exercise Price</b>		
<b>PURCHASED OPTIONS – 0.0%</b>		
<b>U.S. Treasury Obligations – 0.0%</b>		
U.S. Treasury Note 10 yr Future – August 2018 @ \$117 (Premiums Paid, \$24,610) Put	Merrill Lynch International	\$9,374,625
	78	\$ 3,656
<b>Issuer</b>		
<b>COLLATERAL FOR SECURITIES LOANED – 0.0%</b>		
State Street Navigator Securities Lending Government Money Market Portfolio, 1.9% (j) (Identified Cost, \$28)	28	\$ 28
<b>OTHER ASSETS, LESS LIABILITIES – 0.6%</b>		<u>277,295</u>
<b>NET ASSETS – 100.0%</b>		<b><u>\$46,355,955</u></b>

(a) Non-income producing security.

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

(h) An affiliated issuer, which may be considered one in which the fund owns 5% or more of the outstanding voting securities, or a company which is under common control. At period end, the aggregate values of the fund's investments in affiliated issuers and in unaffiliated issuers were \$9,310,567 and \$36,768,093, respectively.

(i) Interest only security for which the fund receives interest on notional principal (Par amount). Par amount shown is the notional principal and does not reflect the cost of the security.

(j) The rate quoted is the annualized seven-day yield of the fund at period end.

(l) A portion of this security is on loan.

(n) Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be sold in the ordinary course of business in transactions exempt from registration, normally to qualified institutional buyers. At period end, the aggregate value of these securities was \$9,869,222, representing 21.3% of net assets.

## Portfolio of Investments (unaudited) – continued

- (p) Payment-in-kind security for which interest income may be received in additional securities and/or cash.
- (v) Affiliated issuer that is available only to investment companies managed by MFS. The rate quoted for the MFS Institutional Money Market Portfolio is the annualized seven-day yield of the fund at period end.
- (w) When-issued security. At June 30, 2018, the fund had sufficient cash and/or securities at least equal to the value of the when-issued security.
- (z) Restricted securities are not registered under the Securities Act of 1933 and are subject to legal restrictions on resale. These securities generally may be resold in transactions exempt from registration or to the public if the securities are subsequently registered. Disposal of these securities may involve time-consuming negotiations and prompt sale at an acceptable price may be difficult. The fund holds the following restricted securities:

Restricted Securities	Acquisition Date	Cost	Value
ALM Loan Funding CLO, 2015-16A, "BR2", 0%, 7/15/2027	6/20/18	\$260,000	\$260,000
Arbor Realty CLO Ltd., 2018-A, "FL-1", FLR, 3.059% (LIBOR-1mo. + 1.15%), 6/15/2028	5/23/18	260,000	260,017
Bancorp Commercial Mortgage Trust, 2018-CR3, "D", FLR, 4.773% (LIBOR-1mo. + 2.7%), 1/15/2033	3/13/18	248,157	248,824
Bayview Financial Revolving Mortgage Loan Trust, FLR, 3.702% (LIBOR-1mo. + 1.6%), 12/28/2040	3/01/06	175,235	160,055
Business Jet Securities LLC, 2018-1, "C", 7.748%, 2/15/2033	2/21/18	107,694	110,704
Canadian Oil Sands Co., 7.75%, 5/15/2019	9/29/17	131,525	129,768
Canadian Oil Sands Co., 4.5%, 4/01/2022	10/26/17	122,555	120,123
Exantas Capital Corp CLO Ltd., 2018-RS06, "B", FLR, 3.111% (LIBOR-1mo. + 1.15%), 6/15/2035	6/07/18	260,000	260,000
Falcon Franchise Loan LLC, 7.766%, 1/05/2023	1/18/02	327	327
Figueroa CLO Ltd., 2014-1A, "DR", 0%, 1/15/2027	6/28/18	250,000	250,000
GMF Floorplan Owner Revolving Trust, 2017-2, "C", 2.63%, 7/15/2022	8/15/17	259,949	255,702
Invitation Homes Trust, 2018-SFR1, "C", FLR, 3.335% (LIBOR-1mo. + 1.25%), 3/17/2037	2/26/18	130,000	130,158
LoanCore Ltd., 2018-CRE1, "C", FLR, 4.89% (LIBOR-1mo. + 2.55%), 5/15/2028	5/18/18	260,015	260,322
Morgan Stanley Capital I, Inc., 1.493%, 4/28/2039	7/20/04	175	175
NextGear Floorplan Master Owner Trust, 2018-1A, "B", 3.57%, 2/15/2023	3/06/18	199,983	199,127
<b>Total Restricted Securities</b>			<b>\$2,645,302</b>
<b>% of Net assets</b>			<b>5.7%</b>

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

AGM Assured Guaranty Municipal

CDO Collateralized Debt Obligation

CJSC Closed Joint Stock Company

CLO Collateralized Loan Obligation

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

JSC Joint Stock Company

PLC Public Limited Company

REIT Real Estate Investment Trust

Abbreviations indicate amounts shown in currencies other than the U.S. dollar. All amounts are stated in U.S. dollars unless otherwise indicated. A list of abbreviations is shown below:

EUR Euro

MXN Mexican Peso

ZAR South African Rand

# MFS Strategic Income Portfolio

Portfolio of Investments (unaudited) – continued

## Derivative Contracts at 6/30/18

### Forward Foreign Currency Exchange Contracts

					Unrealized Appreciation (Depreciation)
Currency Purchased		Currency Sold		Counterparty	Settlement Date
Asset Derivatives					
MXN	21	USD	1	Barclays Bank PLC	7/27/2018
USD	118,299	EUR	100,000	JPMorgan Chase Bank N.A.	7/27/2018
					\$0
					1,317
					<u>\$1,317</u>
Liability Derivatives					
ZAR	101,680	USD	7,952	JPMorgan Chase Bank N.A.	7/27/2018
					\$(562)

### Futures Contracts

Description	Long/Short	Currency	Contracts	Notional Amount	Expiration Date	Value/Unrealized Appreciation (Depreciation)
<b>Asset Derivatives</b>						
<b>Interest Rate Futures</b>						
U.S. Treasury Bond 30 yr	Long	USD	15	\$2,175,000	September - 2018	\$7,445
U.S. Treasury Ultra 10 yr	Long	USD	6	957,375	September - 2018	7,522
U.S. Treasury Ultra 10 yr	Short	USD	39	5,001,141	September - 2018	745
						<u>\$15,712</u>
<b>Liability Derivatives</b>						
<b>Interest Rate Futures</b>						
U.S. Treasury Note 2 yr	Long	USD	21	\$4,448,391	September - 2018	\$(11,652)
U.S. Treasury Note 5 yr	Long	USD	15	1,704,258	September - 2018	(4,041)
						<u>\$(15,693)</u>

At June 30, 2018, the fund had liquid securities with an aggregate value of \$40,117 to cover any collateral or margin obligations for certain derivative contracts.

See Notes to Financial Statements

## FINANCIAL STATEMENTS | STATEMENT OF ASSETS AND LIABILITIES (unaudited)

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

**At 6/30/18**

<b>Assets</b>		
Investments in unaffiliated issuers, at value, including \$29 of securities on loan (identified cost, \$38,030,424)		\$36,768,093
Investments in affiliated issuers, at value (identified cost, \$10,563,869)		9,310,567
Receivables for		
Forward foreign currency exchange contracts		1,317
Investments sold		294,203
Fund shares sold		3,238
Interest		305,053
Receivable from investment adviser		6,018
Other assets		335
<b>Total assets</b>		<b>\$46,688,824</b>
<b>Liabilities</b>		
Payables for		
Forward foreign currency exchange contracts		\$562
Daily variation margin on open futures contracts		908
Investments purchased		37
When-issued investments purchased		250,000
Fund shares reacquired		26,476
Collateral for securities loaned, at value		28
Payable to affiliates		
Shareholder servicing costs		51
Distribution and/or service fees		136
Payable for independent Trustees' compensation		111
Accrued expenses and other liabilities		54,560
<b>Total liabilities</b>		<b>\$332,869</b>
<b>Net assets</b>		<b>\$46,355,955</b>
<b>Net assets consist of</b>		
Paid-in capital		\$46,813,925
Unrealized appreciation (depreciation)		(2,515,083)
Accumulated net realized gain (loss)		(475,001)
Undistributed net investment income		2,532,114
<b>Net assets</b>		<b>\$46,355,955</b>
Shares of beneficial interest outstanding		4,838,093

	<b>Net assets</b>	<b>Shares outstanding</b>	<b>Net asset value per share</b>
Initial Class	\$39,744,041	4,142,326	\$9.59
Service Class	6,611,914	695,767	9.50

**See Notes to Financial Statements**

## FINANCIAL STATEMENTS | STATEMENT OF OPERATIONS (unaudited)

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

### Six months ended 6/30/18

#### Net investment income (loss)

Income	
Interest	\$652,067
Dividends from affiliated issuers	283,427
Other	168
Income on securities loaned	1
Foreign taxes withheld	(881)
Total investment income	\$934,782
Expenses	
Management fee	\$165,427
Distribution and/or service fees	8,560
Shareholder servicing costs	5,852
Administrative services fee	8,679
Independent Trustees' compensation	632
Custodian fee	5,029
Shareholder communications	6,484
Audit and tax fees	38,648
Legal fees	612
Miscellaneous	8,742
Total expenses	\$248,665
Reduction of expenses by investment adviser	(50,860)
Net expenses	\$197,805
Net investment income (loss)	\$736,977

#### Realized and unrealized gain (loss)

Realized gain (loss) (identified cost basis)	
Unaffiliated issuers	\$(125,562)
Affiliated issuers	(87,350)
Futures contracts	22,099
Forward foreign currency exchange contracts	772
Foreign currency	(458)
Net realized gain (loss)	\$(190,499)
Change in unrealized appreciation or depreciation	
Unaffiliated issuers	\$(1,490,034)
Affiliated issuers	(270,929)
Futures contracts	(1,118)
Forward foreign currency exchange contracts	1,308
Translation of assets and liabilities in foreign currencies	(257)
Net unrealized gain (loss)	\$(1,761,030)
Net realized and unrealized gain (loss)	\$(1,951,529)
Change in net assets from operations	\$(1,214,552)

See Notes to Financial Statements



## FINANCIAL STATEMENTS | STATEMENTS OF CHANGES IN NET ASSETS

These statements describe the increases and/or decreases in net assets resulting from operations, any distributions, and any shareholder transactions.

	Six months ended 6/30/18 (unaudited)	Year ended 12/31/17
<b>Change in net assets</b>		
<b>From operations</b>		
Net investment income (loss)	\$736,977	\$1,730,642
Net realized gain (loss)	(190,499)	620,201
Net unrealized gain (loss)	(1,761,030)	746,622
Change in net assets from operations	\$(1,214,552)	\$3,097,465
<b>Distributions declared to shareholders</b>		
From net investment income	\$—	\$(2,356,097)
Change in net assets from fund share transactions	\$(2,126,180)	\$(4,011,928)
Total change in net assets	\$(3,340,732)	\$(3,270,560)
<b>Net assets</b>		
At beginning of period	49,696,687	52,967,247
At end of period (including undistributed net investment income of \$2,532,114 and \$1,795,137, respectively)	\$46,355,955	\$49,696,687

**See Notes to Financial Statements**

## FINANCIAL STATEMENTS | FINANCIAL HIGHLIGHTS

The financial highlights table is intended to help you understand the fund's financial performance for the semiannual period and the past 5 fiscal years. Certain information reflects financial results for a single fund share. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in the fund share class (assuming reinvestment of all distributions) held for the entire period.

Initial Class	Six months ended 6/30/18 (unaudited)	Year ended				
		12/31/17	12/31/16	12/31/15	12/31/14	12/31/13
Net asset value, beginning of period	\$9.84	\$9.71	\$9.25	\$10.01	\$10.01	\$10.19
<b>Income (loss) from investment operations</b>						
Net investment income (loss) (d)	\$0.15	\$0.34	\$0.40(c)	\$0.37	\$0.41	\$0.42
Net realized and unrealized gain (loss)	(0.40)	0.26	0.37	(0.55)	(0.08)	(0.28)
Total from investment operations	\$(0.25)	\$0.60	\$0.77	\$(0.18)	\$0.33	\$0.14
<b>Less distributions declared to shareholders</b>						
From net investment income	\$—	\$(0.47)	\$(0.31)	\$(0.58)	\$(0.33)	\$(0.32)
Net asset value, end of period (x)	\$9.59	\$9.84	\$9.71	\$9.25	\$10.01	\$10.01
Total return (%) (k)(r)(s)(x)	(2.54)(n)	6.24	8.24(c)	(1.85)	3.27	1.46
<b>Ratios (%) (to average net assets) and Supplemental data:</b>						
Expenses before expense reductions (f)(h)	1.02(a)	1.02	0.89(c)	0.96	0.94	1.00
Expenses after expense reductions (f)(h)	0.80(a)	0.80	0.71(c)	0.80	0.80	0.85
Net investment income (loss)	3.16(a)	3.39	4.09(c)	3.74	4.05	4.18
Portfolio turnover	30(n)	72	21	31	21	28
Net assets at end of period (000 omitted)	\$39,744	\$42,409	\$44,191	\$47,422	\$59,824	\$63,319

Service Class	Six months ended 6/30/18 (unaudited)	Year ended				
		12/31/17	12/31/16	12/31/15	12/31/14	12/31/13
Net asset value, beginning of period	\$9.75	\$9.63	\$9.17	\$9.92	\$9.93	\$10.12
<b>Income (loss) from investment operations</b>						
Net investment income (loss) (d)	\$0.14	\$0.31	\$0.37(c)	\$0.34	\$0.39	\$0.39
Net realized and unrealized gain (loss)	(0.39)	0.25	0.37	(0.54)	(0.09)	(0.28)
Total from investment operations	\$(0.25)	\$0.56	\$0.74	\$(0.20)	\$0.30	\$0.11
<b>Less distributions declared to shareholders</b>						
From net investment income	\$—	\$(0.44)	\$(0.28)	\$(0.55)	\$(0.31)	\$(0.30)
Net asset value, end of period (x)	\$9.50	\$9.75	\$9.63	\$9.17	\$9.92	\$9.93
Total return (%) (k)(r)(s)(x)	(2.56)(n)	5.88	8.00(c)	(2.06)	2.99	1.18
<b>Ratios (%) (to average net assets) and Supplemental data:</b>						
Expenses before expense reductions (f)(h)	1.27(a)	1.27	1.14(c)	1.21	1.19	1.25
Expenses after expense reductions (f)(h)	1.05(a)	1.05	0.97(c)	1.05	1.05	1.10
Net investment income (loss)	2.90(a)	3.16	3.83(c)	3.49	3.80	3.93
Portfolio turnover	30(n)	72	21	31	21	28
Net assets at end of period (000 omitted)	\$6,612	\$7,287	\$8,776	\$9,548	\$10,719	\$11,829

See Notes to Financial Statements

*Financial Highlights – continued*

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

**See Notes to Financial Statements**

## NOTES TO FINANCIAL STATEMENTS (unaudited)

### (1) Business and Organization

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

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

### (2) Significant Accounting Policies

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

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

**Balance Sheet Offsetting** – The fund's accounting policy with respect to balance sheet offsetting is that, absent an event of default by the counterparty or a termination of the agreement, the International Swaps and Derivatives Association (ISDA) Master Agreement, or similar agreement, does not result in an offset of reported amounts of financial assets and financial liabilities in the Statement of Assets and Liabilities across transactions between the fund and the applicable counterparty. The fund's right to setoff may be restricted or prohibited by the bankruptcy or insolvency laws of the particular jurisdiction to which a specific master netting agreement counterparty is subject. Balance sheet offsetting disclosures, to the extent applicable to the fund, have been included in the fund's Significant Accounting Policies note under the captions for each of the fund's in-scope financial instruments and transactions.

**Investment Valuations** – The investments of the fund and the MFS High Yield Pooled Portfolio are valued as described below.

Equity securities, including restricted equity securities, are generally valued at the last sale or official closing price on their primary market or exchange as provided by a third-party pricing service. Equity securities, for which there were no sales reported that day, are generally valued at the last quoted daily bid quotation on their primary market or exchange as provided by a third-party pricing service. Debt instruments and floating rate loans, including restricted debt instruments, are generally valued at an evaluated or composite bid as provided by a third-party pricing service. Short-term instruments with a maturity at issuance of 60 days or less may be valued at amortized cost, which approximates market value. Exchange-traded options are generally valued at the last sale or official closing price on their primary exchange as provided by a third-party pricing service. Exchange-traded options for which there were no sales reported that day are generally valued at the last daily bid quotation on their primary exchange as provided by a third-party pricing service. Options not traded on an exchange are generally valued at a broker/dealer bid quotation. Foreign currency

## Notes to Financial Statements (unaudited) – continued

options are generally valued at valuations provided by a third-party pricing service. Futures contracts are generally valued at last posted settlement price on their primary exchange as provided by a third-party pricing service. Futures contracts for which there were no trades that day for a particular position are generally valued at the closing bid quotation on their primary exchange as provided by a third-party pricing service. Forward foreign currency exchange contracts are generally valued at the mean of bid and asked prices for the time period interpolated from rates provided by a third-party pricing service for proximate time periods. Open-end investment companies are generally valued at net asset value per share. Securities and other assets generally valued on the basis of information from a third-party pricing service may also be valued at a broker/dealer bid quotation. In determining values, third-party pricing services can utilize both transaction data and market information such as yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data. The values of foreign securities and other assets and liabilities expressed in foreign currencies are converted to U.S. dollars using the mean of bid and asked prices for rates provided by a third-party pricing service.

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

Various inputs are used in determining the value of the fund's assets or liabilities. These inputs are categorized into three broad levels. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes other significant observable market-based inputs (including quoted prices for similar securities, interest rates, prepayment speed, and credit risk). Level 3 includes unobservable inputs, which may include the adviser's own assumptions in determining the fair value of investments. Other financial instruments are derivative instruments, such as futures contracts and forward foreign currency exchange contracts. The following is a summary of the levels used as of June 30, 2018 in valuing the fund's assets or liabilities:

<b>Financial Instruments</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equity Securities	\$20,912	\$—	\$—	\$20,912
U.S. Treasury Bonds & U.S. Government Agency & Equivalents	—	5,606,993	—	5,606,993
Non-U.S. Sovereign Debt	—	3,786,889	—	3,786,889
Municipal Bonds	—	295,158	—	295,158
U.S. Corporate Bonds	—	10,245,928	—	10,245,928
Residential Mortgage-Backed Securities	—	414,782	—	414,782
Commercial Mortgage-Backed Securities	—	5,186,497	—	5,186,497
Asset-Backed Securities (including CDOs)	—	6,816,416	—	6,816,416
Foreign Bonds	—	4,394,490	—	4,394,490
Mutual Funds	9,310,595	—	—	9,310,595
<b>Total</b>	<b>\$9,331,507</b>	<b>\$36,747,153</b>	<b>\$—</b>	<b>\$46,078,660</b>
<b>Other Financial Instruments</b>				
Futures Contracts – Assets	\$15,712	\$—	\$—	\$15,712
Futures Contracts – Liabilities	(15,693)	—	—	(15,693)
Forward Foreign Currency Exchange Contracts – Assets	—	1,317	—	1,317
Forward Foreign Currency Exchange Contracts – Liabilities	—	(562)	—	(562)

# MFS Strategic Income Portfolio

Notes to Financial Statements (unaudited) – continued

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

Of the level 1 investments presented above, equity investments amounting to \$17,256 would have been considered level 2 investments at the beginning of the period. The primary reason for changes in the classifications between levels 1 and 2 occurs when foreign equity securities are fair valued using other observable market-based inputs in place of the closing exchange price due to events occurring after the close of the exchange or market on which the investment is principally traded. The fund's foreign equity securities may often be valued using other observable market-based inputs. The fund's policy is to recognize transfers between the levels as of the end of the period.

**Foreign Currency Translation** – Purchases and sales of foreign investments, income, and expenses are converted into U.S. dollars based upon currency exchange rates prevailing on the respective dates of such transactions or on the reporting date for foreign denominated receivables and payables. Gains and losses attributable to foreign currency exchange rates on sales of securities are recorded for financial statement purposes as net realized gains and losses on investments. Gains and losses attributable to foreign exchange rate movements on receivables, payables, income and expenses are recorded for financial statement purposes as foreign currency transaction gains and losses. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed.

**Derivatives** – The fund uses derivatives primarily to increase or decrease exposure to a particular market or segment of the market, or security, to increase or decrease interest rate or currency exposure, or as alternatives to direct investments. Derivatives are used for hedging or non-hedging purposes. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains. When the fund uses derivatives as an investment to increase market exposure, or for hedging purposes, gains and losses from derivative instruments may be substantially greater than the derivative's original cost.

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

The following table presents, by major type of derivative contract, the fair value, on a gross basis, of the asset and liability components of derivatives held by the fund at June 30, 2018 as reported in the Statement of Assets and Liabilities:

Risk	Derivative Contracts	Fair Value (a)	
		Asset Derivatives	Liability Derivatives
Interest Rate	Interest Rate Futures	\$15,712	\$(15,693)
Interest Rate	Purchased Interest Rate Options	3,656	—
Foreign Exchange	Forward Foreign Currency Exchange	1,317	(562)
Total		\$20,685	\$(16,255)

(a) The value of purchased options outstanding is included in investments in unaffiliated issuers, at value, within the fund's Statement of Assets and Liabilities. Values presented in this table for futures contracts correspond to the values reported in the fund's Portfolio of Investments. Only the current day net variation margin for futures contracts and is separately reported within the fund's Statement of Assets and Liabilities.

The following table presents, by major type of derivative contract, the realized gain (loss) on derivatives held by the fund for the six months ended June 30, 2018 as reported in the Statement of Operations:

Risk	Futures Contracts	Forward Foreign Currency Exchange Contracts
Interest Rate	\$22,099	\$—
Foreign Exchange	—	772
Total	\$22,099	\$772

The following table presents, by major type of derivative contract, the change in unrealized appreciation or depreciation on derivatives held by the fund for the six months ended June 30, 2018 as reported in the Statement of Operations:

Risk	Futures Contracts	Forward Foreign Currency Exchange Contracts	Unaffiliated Issuers (Purchased Options)
Interest Rate	\$(1,118)	\$—	\$(20,954)
Foreign Exchange	—	1,308	—
Total	\$(1,118)	\$1,308	\$(20,954)

*Notes to Financial Statements (unaudited) – continued*

Derivative counterparty credit risk is managed through formal evaluation of the creditworthiness of all potential counterparties. On certain, but not all, uncleared derivatives, the fund attempts to reduce its exposure to counterparty credit risk whenever possible by entering into an ISDA Master Agreement on a bilateral basis. The ISDA Master Agreement gives each party to the agreement the right to terminate all transactions traded under such agreement if there is a specified deterioration in the credit quality of the other party. Upon an event of default or a termination of the ISDA Master Agreement, the non-defaulting party has the right to close out all transactions traded under such agreement and to net amounts owed under each agreement to one net amount payable by one party to the other. This right to close out and net payments across all transactions traded under the ISDA Master Agreement could result in a reduction of the fund's credit risk to such counterparty equal to any amounts payable by the fund under the applicable transactions, if any.

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

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

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

Whether or not the option is exercised, the fund's maximum risk of loss from purchasing an option is the amount of premium paid. All option contracts involve credit risk if the counterparty to the option contract fails to perform. For uncleared options, this risk is mitigated in cases where there is an ISDA Master Agreement between the fund and the counterparty providing for netting as described above and, where applicable, by the posting of collateral by the counterparty to the fund to cover the fund's exposure to the counterparty under such ISDA Master Agreement.

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

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

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

**Forward Foreign Currency Exchange Contracts** – The fund entered into forward foreign currency exchange contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date. These contracts may be used to hedge the fund's currency risk or for non-hedging purposes. For hedging purposes, the fund may enter into contracts to deliver or receive foreign

currency that the fund will receive from or use in its normal investment activities. The fund may also use contracts to hedge against declines in the value of foreign currency denominated securities due to unfavorable exchange rate movements. For non-hedging purposes, the fund may enter into contracts with the intent of changing the relative exposure of the fund's portfolio of securities to different currencies to take advantage of anticipated exchange rate changes.

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

Risks may arise upon entering into these contracts from unanticipated movements in the value of the contract and from the potential inability of counterparties to meet the terms of their contracts. Generally, the fund's maximum risk due to counterparty credit risk is the unrealized gain on the contract due to the use of Continuous Linked Settlement, a multicurrency cash settlement system for the centralized settlement of foreign transactions. This risk is mitigated in cases where there is an ISDA Master Agreement between the fund and the counterparty providing for netting as described above and, where applicable, by the posting of collateral by the counterparty to the fund to cover the fund's exposure to the counterparty under such ISDA Master Agreement.

**Security Loans** – Under its Securities Lending Agency Agreement with the fund, State Street Bank and Trust Company ("State Street"), as lending agent, loans the securities of the fund to certain qualified institutions (the "Borrowers") approved by the fund. Security loans can be terminated at the discretion of either the lending agent or the fund and the related securities must be returned within the earlier of the standard trade settlement period for such securities or within three business days. The loans are collateralized by cash and/or U.S. Treasury and federal agency obligations in an amount typically at least equal to the market value of the securities loaned. On loans collateralized by cash, the cash collateral is invested in a money market fund. The market value of the loaned securities is determined at the close of business of the fund and any additional required collateral is delivered to the fund on the next business day. State Street provides the fund with indemnification against Borrower default. In the event of Borrower default, State Street will, for the benefit of the fund, either purchase securities identical to those loaned or, when such purchase is commercially impracticable, pay the fund the market value of the loaned securities. In return, State Street assumes the fund's rights to the related collateral. If the collateral value is less than the cost to purchase identical securities, State Street is responsible for the shortfall, but only to the extent that such shortfall is not due to a decline in collateral value resulting from collateral reinvestment for which the fund bears the risk of loss. At period end, the fund had investment securities on loan, all of which were classified as equity securities in the fund's Portfolio of Investments, with a fair value of \$29. The fair value of the fund's investment securities on loan and a related liability of \$28 for cash collateral received on securities loaned are both presented gross in the Statement of Assets and Liabilities. The value of the fund's securities on loan net of the related collateral is \$1 at period end. The liability for cash collateral for securities loaned is carried at fair value, which is categorized as level 2 within the fair value hierarchy. A portion of the income generated upon investment of the collateral is remitted to the Borrowers, and the remainder is allocated between the fund and the lending agent. On loans collateralized by U.S. Treasury and/or federal agency obligations, a fee is received from the Borrower, and is allocated between the fund and the lending agent. Income from securities lending is separately reported in the Statement of Operations. The dividend and interest income earned on the securities loaned is accounted for in the same manner as other dividend and interest income.

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

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

**Investment Transactions and Income** – Investment transactions are recorded on the trade date. Interest income is recorded on the accrual basis. All premium and discount is amortized or accreted for financial statement purposes in accordance with U.S. generally accepted accounting principles. Some securities may be purchased on a "when-issued" or "forward delivery" basis, which means that the securities will be delivered to the fund at a future date, usually beyond customary settlement time. Dividends received in cash are recorded on the ex-dividend date. Certain dividends from foreign securities will be recorded when the fund is informed of the dividend if such information is obtained subsequent to the ex-dividend date. Dividend and interest payments received in additional securities are recorded on the ex-dividend or ex-interest date in an amount equal to the value of the security on such date.



*Notes to Financial Statements (unaudited) – continued*

The fund may receive proceeds from litigation settlements. Any proceeds received from litigation involving portfolio holdings are reflected in the Statement of Operations in realized gain/loss if the security has been disposed of by the fund or in unrealized gain/loss if the security is still held by the fund. Any other proceeds from litigation not related to portfolio holdings are reflected as other income in the Statement of Operations.

The fund purchased or sold debt securities on a when-issued or delayed delivery basis, or in a “To Be Announced” (TBA) or “forward commitment” transaction with delivery or payment to occur at a later date beyond the normal settlement period. At the time a fund enters into a commitment to purchase or sell a security, the transaction is recorded and the value of the security acquired is reflected in the fund’s net asset value. The price of such security and the date that the security will be delivered and paid for are fixed at the time the transaction is negotiated. The value of the security may vary with market fluctuations. When-issued investments purchased are held at carrying amount, which approximates fair value and are categorized as level 2 within the fair value hierarchy. No interest accrues to the fund until payment takes place. At the time that a fund enters into this type of transaction, the fund is required to have sufficient cash and/or liquid securities to cover its commitments. Losses may arise due to changes in the value of the underlying securities or if the counterparty does not perform under the contract’s terms, or if the issuer does not issue the securities due to political, economic or other factors. Additionally, losses may arise due to declines in the value of the securities prior to settlement date.

To mitigate this risk of loss on TBA securities and other types of forward settling mortgage-backed securities, the fund whenever possible enters into a Master Securities Forward Transaction Agreement (“MSFTA”) on a bilateral basis with each of the counterparties with whom it undertakes a significant volume of transactions. The MSFTA gives each party to the agreement the right to terminate all transactions traded under such agreement if there is a specified deterioration in the credit quality of the other party. Upon an event of default or a termination of the MSFTA, the non-defaulting party has the right to close out all transactions traded under such agreement and to net amounts owed under each transaction to one net amount payable by one party to the other. This right to close out and net payments across all transactions traded under the MSFTA could result in a reduction of the fund’s credit risk to such counterparty equal to any amounts payable by the fund under the applicable transactions, if any.

For mortgage-backed securities traded under a MSFTA, the collateral and margining requirements are contract specific. Collateral amounts across all transactions traded under such agreement are netted and one amount is posted from one party to the other to collateralize such obligations. Cash that has been pledged to cover the fund’s collateral or margin obligations under a MSFTA, if any, will be reported separately on the Statement of Assets and Liabilities as restricted cash. Securities pledged as collateral or margin for the same purpose, if any, are noted in the Portfolio of Investments.

**Tax Matters and Distributions** – The fund intends to qualify as a regulated investment company, as defined under Subchapter M of the Internal Revenue Code, and to distribute all of its taxable income, including realized capital gains. As a result, no provision for federal income tax is required. The fund’s federal tax returns, when filed, will remain subject to examination by the Internal Revenue Service for a three year period. Management has analyzed the fund’s tax positions taken on federal and state tax returns for all open tax years and does not believe that there are any uncertain tax positions that require recognition of a tax liability. Foreign taxes, if any, have been accrued by the fund in the accompanying financial statements in accordance with the applicable foreign tax law. Foreign income taxes may be withheld by certain countries in which the fund invests. Additionally, capital gains realized by the fund on securities issued in or by certain foreign countries may be subject to capital gains tax imposed by those countries.

Distributions to shareholders are recorded on the ex-dividend date. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from U.S. generally accepted accounting principles. Certain capital accounts in the financial statements are periodically adjusted for permanent differences in order to reflect their tax character. These adjustments have no impact on net assets or net asset value per share. Temporary differences which arise from recognizing certain items of income, expense, gain or loss in different periods for financial statement and tax purposes will reverse at some time in the future. Distributions in excess of net investment income or net realized gains are temporary overdistributions for financial statement purposes resulting from differences in the recognition or classification of income or distributions for financial statement and tax purposes.

Book/tax differences primarily relate to defaulted bonds, amortization and accretion of debt securities, and expiration of capital loss carryforwards.

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

	<b>Year ended 12/31/17</b>
Ordinary income (including any short-term capital gains)	\$2,356,097

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

<b>As of 6/30/18</b>	
Cost of investments	\$48,921,755
Gross appreciation	108,540
Gross depreciation	(2,951,635)
Net unrealized appreciation (depreciation)	\$(2,843,095)
<b>As of 12/31/17</b>	
Undistributed ordinary income	1,827,687
Other temporary differences	33
Net unrealized appreciation (depreciation)	(1,071,138)

The aggregate cost above includes prior fiscal year end tax adjustments, if applicable.

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

	From net investment income	
	Six months ended 6/30/18	Year ended 12/31/17
Initial Class	\$—	\$1,994,249
Service Class	—	361,848
Total	\$—	\$2,356,097

### (3) Transactions with Affiliates

**Investment Adviser** – The fund has an investment advisory agreement with MFS to provide overall investment management and related administrative services and facilities to the fund. The management fee is computed daily and paid monthly at the following annual rates based on the fund’s average daily net assets:

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

MFS has agreed in writing to reduce its management fee by a specified amount if certain MFS mutual fund assets exceed thresholds agreed to by MFS and the fund’s Board of Trustees. For the six months ended June 30, 2018, this management fee reduction amounted to \$2,180, which is included in the reduction of total expenses in the Statement of Operations. The management fee incurred for the six months ended June 30, 2018 was equivalent to an annual effective rate of 0.69% of the fund’s average daily net assets.

The investment adviser has agreed in writing to pay a portion of the fund’s total annual operating expenses, excluding interest, taxes, extraordinary expenses, brokerage and transaction costs, and investment-related expenses (such as fees and expenses associated with investments in investment companies and other similar investment vehicles), such that total annual operating expenses do not exceed 0.80% of average daily net assets for the Initial Class shares and 1.05% of average daily net assets for the Service Class shares. This written agreement will continue until modified by the fund’s Board of Trustees, but such agreement will continue at least until April 30, 2020. For the six months ended June 30, 2018, this reduction amounted to \$48,680, which is included in the reduction of total expenses in the Statement of Operations.

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

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

**Shareholder Servicing Agent** – MFS Service Center, Inc. (MFSC), a wholly-owned subsidiary of MFS, receives a fee from the fund for its services as shareholder servicing agent. For the six months ended June 30, 2018, the fee was \$5,719, which equated to

*Notes to Financial Statements (unaudited) – continued*

0.0242% annually of the fund's average daily net assets. MFSC also receives payment from the fund for out-of-pocket expenses paid by MFSC on behalf of the fund. For the six months ended June 30, 2018, these costs amounted to \$133.

**Administrator** – MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the fund. Under an administrative services agreement, the fund reimburses MFS the costs incurred to provide these services. The fund is charged an annual fixed amount of \$17,500 plus a fee based on average daily net assets. The administrative services fee incurred for the six months ended June 30, 2018 was equivalent to an annual effective rate of 0.0367% of the fund's average daily net assets.

**Trustees' and Officers' Compensation** – The fund pays compensation to independent Trustees in the form of a retainer, attendance fees, and additional compensation to Board and Committee chairpersons. The fund does not pay compensation directly to Trustees or officers of the fund who are also officers of the investment adviser, all of whom receive remuneration for their services to the fund from MFS. Certain officers and Trustees of the fund are officers or directors of MFS, MFD, and MFSC.

**Other** – This fund and certain other funds managed by MFS (the funds) have entered into a service agreement (the ISO Agreement) which provides for payment of fees solely by the funds to Tarantino LLC in return for the provision of services of an Independent Senior Officer (ISO) for the funds. Frank L. Tarantino serves as the ISO and is an officer of the funds and the sole member of Tarantino LLC. The funds can terminate the ISO Agreement with Tarantino LLC at any time under the terms of the ISO Agreement. For the six months ended June 30, 2018, the fee paid by the fund under this agreement was \$42 and is included in "Miscellaneous" expense in the Statement of Operations. MFS has agreed to bear all expenses associated with office space, other administrative support, and supplies provided to the ISO.

The fund invests in the MFS Institutional Money Market Portfolio which is managed by MFS and seeks current income consistent with preservation of capital and liquidity. This money market fund does not pay a management fee to MFS.

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

#### (4) Portfolio Securities

For the six months ended June 30, 2018, purchases and sales of investments, other than purchased option transactions and short-term obligations, were as follows:

	Purchases	Sales
U.S. Government securities	\$516,441	\$3,445,251
Non-U.S. Government securities	\$13,696,675	\$10,903,851

#### (5) Shares of Beneficial Interest

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

	Six months ended 6/30/18		Year ended 12/31/17	
	Shares	Amount	Shares	Amount
Shares sold				
Initial Class	132,703	\$1,283,841	288,818	\$2,862,544
Service Class	31,675	304,077	92,548	906,325
	164,378	\$1,587,918	381,366	\$3,768,869
Shares issued to shareholders in reinvestment of distributions				
Initial Class	—	\$—	204,329	\$1,994,249
Service Class	—	—	37,342	361,848
	—	\$—	241,671	\$2,356,097
Shares reacquired				
Initial Class	(302,285)	\$(2,918,555)	(730,440)	\$(7,253,077)
Service Class	(83,052)	(795,543)	(293,752)	(2,883,817)
	(385,337)	\$(3,714,098)	(1,024,192)	\$(10,136,894)
Net change				
Initial Class	(169,582)	\$(1,634,714)	(237,293)	\$(2,396,284)
Service Class	(51,377)	(491,466)	(161,862)	(1,615,644)
	(220,959)	\$(2,126,180)	(401,155)	\$(4,011,928)

**(6) Line of Credit**

The fund and certain other funds managed by MFS participate in a \$1.25 billion unsecured committed line of credit, subject to a \$1 billion sublimit, provided by a syndication of banks under a credit agreement. Borrowings may be made for temporary financing needs. Interest is charged to each fund, based on its borrowings, generally at a rate equal to the higher of the Overnight Bank Funding rate or daily one month LIBOR plus an agreed upon spread. A commitment fee, based on the average daily, unused portion of the committed line of credit, is allocated among the participating funds. In addition, the fund and other funds managed by MFS have established unsecured uncommitted borrowing arrangements with certain banks for temporary financing needs. Interest is charged to each fund, based on its borrowings, at a rate equal to the Overnight Bank Funding rate plus an agreed upon spread. For the six months ended June 30, 2018, the fund's commitment fee and interest expense were \$170 and \$0, respectively, and are included in "Miscellaneous" expense in the Statement of Operations.

**(7) Investments in Affiliated Issuers**

An affiliated issuer may be considered one in which the fund owns 5% or more of the outstanding voting securities, or a company which is under common control. For the purposes of this report, the fund assumes the following to be affiliated issuers:

Affiliated Issuers		Beginning Shares/Par Amount	Acquisitions Shares/Par Amount	Dispositions Shares/Par Amount	Ending Shares/Par Amount	
MFS High Yield Pooled Portfolio		1,144,373	51,906	(176,372)	1,019,907	
MFS Institutional Money Market Portfolio		1,509,122	8,400,828	(9,768,342)	141,608	
Affiliated Issuers		Realized Gain (Loss)	Change in Unrealized Appreciation/ Depreciation	Capital Gain Distributions	Dividend Income	Ending Value
MFS High Yield Pooled Portfolio		\$(87,206)	\$(271,083)	\$—	\$276,919	\$9,168,959
MFS Institutional Money Market Portfolio		(144)	154	—	6,508	141,608
		\$(87,350)	\$(270,929)	\$—	\$283,427	\$9,310,567

**(8) Legal Proceedings**

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

## PROXY VOTING POLICIES AND INFORMATION

MFS votes proxies on behalf of the fund pursuant to proxy voting policies and procedures that are available without charge, upon request, by calling 1-800-225-2606, by visiting [mfs.com/proxyvoting](http://mfs.com/proxyvoting), or by visiting the SEC's Web site at <http://www.sec.gov>.

Information regarding how the fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30 is available by August 31 of each year without charge by visiting [mfs.com/proxyvoting](http://mfs.com/proxyvoting), or by visiting the SEC's Web site at <http://www.sec.gov>.

## QUARTERLY PORTFOLIO DISCLOSURE

The fund will file a complete schedule of portfolio holdings with the Securities and Exchange Commission (the Commission) for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available on the EDGAR database on the Commission's Internet Web site at <http://www.sec.gov>, and may be reviewed and copied at the:

Public Reference Room  
Securities and Exchange Commission  
100 F Street, NE, Room 1580  
Washington, D.C. 20549

Information on the operation of the Public Reference Room may be obtained by calling the Commission at 1-800-SEC-0330. Copies of the fund's Form N-Q also may be obtained, upon payment of a duplicating fee, by electronic request at the following e-mail address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov) or by writing the Public Reference Section at the above address.

## FURTHER INFORMATION

From time to time, MFS may post important information about the fund or the MFS funds on the MFS web site ([mfs.com](http://mfs.com)). This information is available at <https://www.mfs.com/en-us/what-we-do/announcements.html> or at [mfs.com/vit2](http://mfs.com/vit2) by choosing the fund's name.

## INFORMATION ABOUT FUND CONTRACTS AND LEGAL CLAIMS

The fund has entered into contractual arrangements with an investment adviser, administrator, distributor, shareholder servicing agent, 529 program manager (if applicable), and custodian who each provide services to the fund. Unless expressly stated otherwise, shareholders are not parties to, or intended beneficiaries of these contractual arrangements, and these contractual arrangements are not intended to create any shareholder right to enforce them against the service providers or to seek any remedy under them against the service providers, either directly or on behalf of the fund.

Under the Trust's By-Laws and Declaration of Trust, any claims asserted against or on behalf of the MFS Funds, including claims against Trustees and Officers, must be brought in state and federal courts located within the Commonwealth of Massachusetts.





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to Invest

*June 30, 2018*

Oppenheimer  
**Global Strategic Income Fund/VA**

A Series of Oppenheimer Variable Account Funds

**Semiannual Report**

**SEMIANNUAL REPORT**

Listing of Top Holdings

Fund Performance Discussion

Financial Statements

**PORTFOLIO MANAGERS:** Hemant Bajjal, Krishna Memani, Ruta Ziverte, and Chris Kelly, CFA

## AVERAGE ANNUAL TOTAL RETURNS FOR THE PERIODS ENDED 6/30/18

	Inception Date	6-Months	1-Year	5-Year	10-Year
Non-Service Shares	5/3/93	-2.96%	-0.64%	2.46%	3.77%
Service Shares	3/19/01	-3.15	-1.08	2.20	3.51
Bloomberg Barclays U.S. Aggregate Bond Index		-1.62	-0.40	2.27	3.72

**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.*

The Fund's performance is compared to the performance of the Bloomberg Barclays U.S. Aggregate Bond Index, an index of U.S. Government and corporate bonds. The Index is unmanaged and cannot be purchased directly by investors. While index comparisons may be useful to provide a benchmark for the Fund's performance, it must be noted that the Fund's investments are not limited to the investments comprising the Index. Index performance includes reinvestment of income, but does not reflect transaction costs, fees, expenses or taxes. Index performance is shown for illustrative purposes only as a benchmark for the Fund's performance, and does not predict or depict performance of the Fund. The Fund's performance reflects the effects of the Fund's business and operating expenses.

## TOP HOLDINGS AND ALLOCATIONS

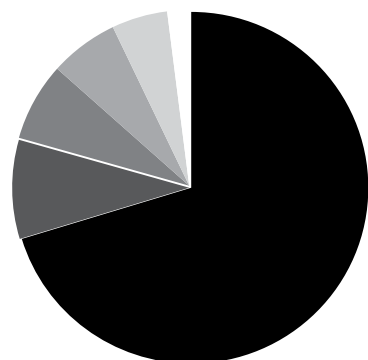
### PORTFOLIO ALLOCATION

Non-Convertible Corporate Bonds and Notes	36.4%
Investment Companies	
Oppenheimer Institutional Government Money Market Fund	5.5
Oppenheimer Master Event-Linked Bond Fund, LLC	2.0
Oppenheimer Master Loan Fund, LLC	13.8
Oppenheimer Ultra-Short Duration Fund	3.0
Mortgage-Backed Obligations	
Government Agency	11.2
Non-Agency	7.2
Foreign Government Obligations	15.8
Asset-Backed Securities	2.6
Preferred Stocks	1.3
Short-Term Notes	0.4
Corporate Loans	0.3
Over-the-Counter Interest Rate Swaptions Purchased	0.2
Structured Securities	0.2
Over-the-Counter Options Purchased	0.1
Over-the-Counter Credit Default Swaptions Purchased	—*
Common Stocks	—*
Rights, Warrants and Certificates	—*

\* Represents a value of less than 0.05%.

Portfolio holdings and allocations are subject to change. Percentages are as of June 30, 2018, and are based on total market value of investments. For more current Fund holdings, please visit [oppenheimerfunds.com](http://oppenheimerfunds.com).

### REGIONAL ALLOCATION



■ U.S./Canada—70.3%  
 ■ Latin & South America—9.1  
 ■ Asia—7.2%  
 ■ Europe—6.3%  
 ■ Middle East/Africa—5.1%  
 ■ Emerging Europe—2.0%

Portfolio holdings and allocations are subject to change. Percentages are as of June 30, 2018, and are based on the total market value of investments. For more current Fund holdings, please visit [oppenheimerfunds.com](http://oppenheimerfunds.com).



# Fund Performance Discussion

The Fund's Non-Service shares produced a return of -2.96% during the reporting period, versus the -1.62% return provided by the Bloomberg Barclays U.S. Aggregate Bond Index (the "Index").

## MARKET OVERVIEW

After rallying to close 2017, the first half of 2018 has been volatile and eventful. Central banks were in action led by the Federal Reserve (Fed), which hiked the Fed Funds target rate by 25 basis points (bps) twice – in March and June – ending the period in a range of 1.75% - 2.00%. The Fed also raised the median "dots" for this year. In addition, the European Central Bank (ECB) announced the end of its quantitative easing (QE) program. Outside of central bank actions, global markets were nervous about a Euroskeptic Italian government and trade tensions escalated during the reporting period. A stronger U.S. dollar and higher U.S. interest rates put pressure on emerging economies with imbalances. On a positive note, the Greek government and European creditors agreed on the completion of a bailout program and debt relief measures.

Global economic data stabilized in the first half of the year, but global growth remains above the historical average at period end. Growth leadership in the developed world changed hands, with U.S. growth momentum picking up thanks to the fiscal stimulus, while Eurozone growth slowed down a bit. Despite some moderation, growth in developed markets is above long-term potential, creating jobs and continuing to reduce the slack in labor markets.

The U.S. economy continued to perform well during the reporting period. U.S. 2018 gross domestic product (GDP) is expected to be around 3%, significantly exceeding its 2% trend growth of this expansion. Private consumption, the driving force of the economy in recent years, is growing at a stable rate. Additionally, business fixed investment has gained momentum in recent months and is broadening across sectors. With increasingly less slack in the economy, strong profits, and the corporate tax cuts, investment should support growth and productivity improvements.

The Fed is on track to deliver 1-2 more hikes this year, as the economy is near the Fed's dual mandate of full employment and price stability. On the inflation front, underlying inflation is around the Fed's 2% target. The unemployment rate is at historical lows; however, the rising labor participation rate and stable wage growth suggest that there may still be some slack in the labor market. The Federal Open Market Committee (FOMC) under new chair Jerome Powell's leadership signaled that the Fed will remain cautious and tighten policy gradually, giving comfort to the markets. Thus far, the Fed's hiking cycle has been orderly.

Eurozone data was weak during the reporting period, but at period end, there is some tentative evidence that growth is rebounding. The underlying forces of growth in the Eurozone, such as job creation and income growth, revival of bank lending, and high levels of confidence, are intact. We expect Eurozone growth to remain around 2%. Japan's unemployment rate hit a 24-year low. Growth expectations remain upbeat in several other countries, including Canada, Australia, and Sweden.

Asian economies did quite well at the beginning of the year, contributing the most among all regions to world growth in the first quarter of 2018. After a stellar rebound in exports in 2017 supported by the consumer electronics cycle, we now expect Asia to settle to a slightly lower growth path. This is mainly predicated on slowing growth in China, which is a longer-term trend we expect to continue, the cooling off of the cell-phone cycle, tightening financial conditions, and the uncertainty of a full-fledged trade war. India, the second largest economy in the region, is still on a recovery path, while the rest of South Asia remains steady.

Economic growth in Latin America was significantly downgraded, owing mostly to unexpected hits in Brazil and Argentina, the two countries emerging from recession and driving the region's return to its growth potential. In Brazil, a nationwide truckers' strike largely reflected a weak government ahead of presidential elections this October. In Argentina, the growth outlook reversed course as the central bank was forced to tighten monetary policy and approach the International Monetary Fund (IMF) to preserve financial stability. Most central banks in the region are likely to be watchful, but remain on hold at period end as they face weak underlying inflation trends given the slack in the economies. Overall, growing back to potential has most likely been delayed to next year.

## FUND REVIEW

The Fund's underperformance this reporting period was largely the result of its allocation to emerging market credit and emerging market local debt.

Emerging market credit came under heavy pressure during the reporting period. A stronger dollar and tighter external financing conditions resulted in a re-pricing of deficit countries, including notably Argentina (which eventually went to the IMF), Turkey, Ukraine, and sub-Saharan Africa. At the same time, idiosyncratic events erupted such as in Brazil, where truckers went on strike against higher gasoline prices, though in some sense this too was connected to the weakening of the currency. The Fund's underperformance was driven by its tilt towards higher-yielding credits, particularly in Brazil and Argentina. Overall, we

still believe emerging market macroeconomic and credit fundamentals are considerably stronger than during the “taper tantrum” in 2013 and that the market reaction has been excessive, creating relative attractive valuations in global credit.

The recent sell off in emerging market currencies and rates has generated a market narrative that the cycle in emerging markets may already be over. We believe this to be premature and believe that the global growth cycle is intact and stable at fairly high levels of global growth. It remains our opinion that growth has plateaued at robust levels and the market reaction is one of reassessing the future winners and losers in this environment. With high real yields and high growth numbers in emerging markets, we believe that the current valuation of emerging market local assets is attractive over the next two to three years.

Contributing positively to performance this reporting period was our lack of exposure to high grade credit. High grade credit underperformed high yield credit this reporting period as high grade credit has more duration sensitivity than high yield credit. Our exposure to leveraged loans also benefited performance in a rising interest rate environment.

## STRATEGY & OUTLOOK

International economic and geopolitical concerns were noticeable during the reporting period and caused some market turbulence. Trade tensions were on the rise, and there were pockets of political issues, such as the elections in Mexico and Turkey, the new Italian government, and issues around immigration in the Eurozone. Such tensions, and especially trade, started to make an impact in some investment decisions, as noted in the Fed’s minutes. So far, the measures implemented do not appear to be of major economic significance or hampering the global growth story. We believe there is more rhetoric than actual impactful decisions. The risk remains, however, that trade issues hit confidence, or retaliations could lead to more significant measures. While these are still not the baseline, we believe risks are elevated and worth carefully monitoring.

We still continue to believe that global growth will remain robust despite the trade tensions, though at a somewhat slower pace. We expect that growth will slow to the 3.6% – 3.7% range for this year, however, the composition will shift as European growth stabilizes. We continue to believe that the domestic European economy continues to be stable and the recent slowdown was related to a mini cycle in trade and its associated investment and inventory cycle. In addition, we do expect industrial production in emerging markets to improve as they are still barely at their long-term average, while developed market industrial production is nearly at decade highs.

From an asset valuation perspective, emerging market fixed income assets are at historically cheap levels versus developed markets assets. At period end, emerging market local bonds are offering real yields that are at or close to decade high spreads when compared to developed market real yields. The valuations of emerging market currencies are generally back to levels last seen in 2015, near the U.S. dollar high. Similarly, in credit, European financial subordinated debt offers value as does emerging market hard currency sovereign and corporate debt.

Based on these valuations, we increased our exposure to emerging market local debt and currencies over the reporting period. Given that we are in the latter stages of the credit cycle, we do not have exposure to investment-grade credit. We also reduced our exposure to mortgages. We maintained our exposure to high-yield credit despite generally tighter spreads since the sector provides healthy income. Our leveraged loan exposure was stable as well since this sector tends to benefit from a rising interest rate environment. We continue to monitor valuations and the global financial markets as we strive to generate income for our investors.

**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 June 30, 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.**

## Fund Expenses

**Fund Expenses.** As a shareholder of the Fund, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management fees; distribution and service fees; and other Fund expenses. These examples are intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The examples are based on an investment of \$1,000.00 invested at the beginning of the period and held for the entire 6-month period ended June 30, 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 June 30, 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.

	Beginning Account Value January 1, 2018	Ending Account Value June 30, 2018	Expenses Paid During 6 Months Ended June 30, 2018
<b>Actual</b>			
Non-Service shares	\$ 1,000.00	\$ 970.40	\$ 3.87
Service shares	1,000.00	968.50	5.09
<b>Hypothetical</b> (5% return before expenses)			
Non-Service shares	1,000.00	1,020.88	3.97
Service shares	1,000.00	1,019.64	5.22

Expenses are equal to the Fund’s annualized expense ratio for that class, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period). Those annualized expense ratios, excluding indirect expenses from affiliated funds, based on the 6-month period ended June 30, 2018 are as follows:

Class	Expense Ratios
Non-Service shares	0.79%
Service shares	1.04

The expense ratios reflect voluntary and/or contractual waivers and/or reimbursements of expenses by the Fund’s Manager. Some of these undertakings may be modified or terminated at any time, as indicated in the Fund’s prospectus. The “Financial Highlights” tables in the Fund’s financial statements, included in this report, also show the gross expense ratios, without such waivers or reimbursements and reduction to custodian expenses, if applicable.

**CONSOLIDATED STATEMENT OF INVESTMENTS June 30, 2018 Unaudited**

	Principal Amount	Value
<b>Asset-Backed Securities—2.8%</b>		
American Credit Acceptance Receivables Trust:		
Series 2015-3, Cl. B, 3.56%, 10/12/21 <sup>1</sup>	\$ 4,658	\$ 4,659
Series 2015-3, Cl. C, 4.84%, 10/12/21 <sup>1</sup>	580,000	585,013
Series 2015-3, Cl. D, 5.86%, 7/12/22 <sup>1</sup>	275,000	279,517
Series 2016-4, Cl. B, 2.11%, 2/12/21 <sup>1</sup>	272,439	272,134
Series 2017-3, Cl. B, 2.25%, 1/11/21 <sup>1</sup>	135,000	134,656
Series 2017-4, Cl. B, 2.61%, 5/10/21 <sup>1</sup>	180,000	179,389
Series 2017-4, Cl. C, 2.94%, 1/10/24 <sup>1</sup>	510,000	506,894
Series 2017-4, Cl. D, 3.57%, 1/10/24 <sup>1</sup>	673,000	667,786
AmeriCredit Automobile Receivables Trust:		
Series 2015-2, Cl. D, 3.00%, 6/8/21	505,000	504,819
Series 2017-2, Cl. D, 3.42%, 4/18/23	830,000	826,311
Series 2017-4, Cl. D, 3.08%, 12/18/23	375,000	368,849
Cabela's Credit Card Master Note Trust:		
Series 2016-1, Cl. A1, 1.78%, 6/15/22	870,000	861,008
Series 2016-1, Cl. A2, 2.923% [LIBOR01M+85], 6/15/22 <sup>2</sup>	1,690,000	1,699,222
Capital Auto Receivables Asset Trust,		
Series 2017-1, Cl. D, 3.15%, 2/20/25 <sup>1</sup>	110,000	109,207
Capital One Multi-Asset Execution Trust,		
Series 2016-A3, Cl. A3, 1.34%, 4/15/22	805,000	794,636
CarFinance Capital Auto Trust, Series		
2015-1A, Cl. A, 1.75%, 6/15/21 <sup>1</sup>	20,988	20,956
CarMax Auto Owner Trust:		
Series 2015-2, Cl. D, 3.04%, 11/15/21	175,000	174,613
Series 2015-3, Cl. D, 3.27%, 3/15/22	610,000	609,690
Series 2016-1, Cl. D, 3.11%, 8/15/22	465,000	463,395
Series 2016-3, Cl. D, 2.94%, 1/17/23	315,000	311,009
Series 2016-4, Cl. D, 2.91%, 4/17/23	710,000	698,302
Series 2017-1, Cl. D, 3.43%, 7/17/23	630,000	627,002
Series 2017-4, Cl. D, 3.30%, 5/15/24	280,000	276,229
Series 2018-1, Cl. D, 3.37%, 7/15/24	195,000	193,547
CCG Receivables Trust:		
Series 2017-1, Cl. B, 2.75%, 11/14/23 <sup>1</sup>	635,000	623,381
Series 2018-1, Cl. B, 3.09%, 6/16/25 <sup>1</sup>	240,000	237,700
Series 2018-1, Cl. C, 3.42%, 6/16/25 <sup>1</sup>	70,000	69,208
CIG Auto Receivables Trust, Series 2017-		
1A, Cl. A, 2.71%, 5/15/23 <sup>1</sup>	243,342	241,828
Citibank Credit Card Issuance Trust,		
Series 2014-A6, Cl. A6, 2.15%, 7/15/21	575,000	571,731
CNH Equipment Trust, Series 2017-C, Cl.		
B, 2.54%, 5/15/25	185,000	180,698
CPS Auto Receivables Trust:		
Series 2017-C, Cl. A, 1.78%, 9/15/20 <sup>1</sup>	108,982	108,616
Series 2017-C, Cl. B, 2.30%, 7/15/21 <sup>1</sup>	275,000	272,798
Series 2017-D, Cl. B, 2.43%, 1/18/22 <sup>1</sup>	470,000	465,152
Series 2018-A, Cl. B, 2.77%, 4/18/22 <sup>1</sup>	370,000	367,157
CPS Auto Trust, Series 2017-A, Cl. B,		
2.68%, 5/17/21 <sup>1</sup>	60,000	59,841
Credit Acceptance Auto Loan Trust:		
Series 2017-3A, Cl. C, 3.48%, 10/15/26 <sup>1</sup>	565,000	557,636
Series 2018-1A, Cl. B, 3.60%, 4/15/27 <sup>1</sup>	360,000	358,519
Series 2018-1A, Cl. C, 3.77%, 6/15/27 <sup>1</sup>	510,000	505,783
Dell Equipment Finance Trust, Series		
2017-2, Cl. B, 2.47%, 10/24/22 <sup>1</sup>	190,000	187,385
Discover Card Execution Note Trust,		
Series 2016-A4, Cl. A4, 1.39%, 3/15/22	1,675,000	1,648,063
Drive Auto Receivables Trust:		
Series 2015-BA, Cl. D, 3.84%, 7/15/21 <sup>1</sup>	45,000	45,267
Series 2015-CA, Cl. D, 4.20%, 9/15/21 <sup>1</sup>	135,000	136,250
Series 2015-DA, Cl. C, 3.38%, 11/15/21 <sup>1</sup>	167,233	167,536
Series 2016-CA, Cl. C, 3.02%, 11/15/21 <sup>1</sup>	395,000	395,371
Series 2016-CA, Cl. D, 4.18%, 3/15/24 <sup>1</sup>	430,000	435,522
Series 2017-1, Cl. B, 2.36%, 3/15/21	425,000	424,536
Series 2017-3, Cl. C, 2.80%, 7/15/22	315,000	314,054
Series 2017-AA, Cl. C, 2.98%, 1/18/22 <sup>1</sup>	355,000	355,104
Series 2017-BA, Cl. D, 3.72%, 10/17/22 <sup>1</sup>	610,000	613,946
Series 2018-1, Cl. D, 3.81%, 5/15/24	470,000	469,552

	Principal Amount	Value
<b>Asset-Backed Securities (Continued)</b>		
DT Auto Owner Trust:		
Series 2015-2A, Cl. D, 4.25%, 2/15/22 <sup>1</sup>	\$ 286,963	\$ 288,742
Series 2016-4A, Cl. E, 6.49%, 9/15/23 <sup>1</sup>	200,000	206,546
Series 2017-1A, Cl. C, 2.70%, 11/15/22 <sup>1</sup>	180,000	179,414
Series 2017-1A, Cl. D, 3.55%, 11/15/22 <sup>1</sup>	440,000	440,063
Series 2017-1A, Cl. E, 5.79%, 2/15/24 <sup>1</sup>	415,000	422,672
Series 2017-2A, Cl. B, 2.44%, 2/15/21 <sup>1</sup>	280,000	279,451
Series 2017-2A, Cl. D, 3.89%, 1/15/23 <sup>1</sup>	495,000	494,550
Series 2017-3A, Cl. B, 2.40%, 5/17/21 <sup>1</sup>	460,000	458,196
Series 2017-3A, Cl. E, 5.60%, 8/15/24 <sup>1</sup>	380,000	384,755
Series 2017-4A, Cl. D, 3.47%, 7/17/23 <sup>1</sup>	560,000	556,507
Series 2017-4A, Cl. E, 5.15%, 11/15/24 <sup>1</sup>	390,000	388,431
Series 2018-1A, Cl. B, 3.04%, 1/18/22 <sup>1</sup>	410,000	408,708
Element Rail Leasing I LLC, Series 2014-		
1A, Cl. A1, 2.299%, 4/19/44 <sup>1</sup>	162,467	161,506
Exeter Automobile Receivables Trust,		
Series 2018-1A, Cl. B, 2.75%, 4/15/22 <sup>1</sup>	405,000	401,707
Flagship Credit Auto Trust:		
Series 2014-1, Cl. D, 4.83%, 6/15/20 <sup>1</sup>	70,000	70,425
Series 2016-1, Cl. C, 6.22%, 6/15/22 <sup>1</sup>	980,000	1,020,070
GLS Auto Receivables Trust, Series 2018-		
1A, Cl. A, 2.82%, 7/15/22 <sup>1</sup>	870,841	866,045
GM Financial Automobile Leasing Trust,		
Series 2017-3, Cl. C, 2.73%, 9/20/21	320,000	316,432
Navistar Financial Dealer Note Master Owner Trust II:		
Series 2016-1, Cl. D, 5.391% [LIBOR01M+330], 9/27/21 <sup>1,2</sup>	205,000	206,132
Series 2017-1, Cl. C, 3.641% [LIBOR01M+155], 6/27/22 <sup>1,2</sup>	160,000	160,722
Series 2017-1, Cl. D, 4.391% [LIBOR01M+230], 6/27/22 <sup>1,2</sup>	185,000	185,202
Santander Drive Auto Receivables Trust:		
Series 2015-5, Cl. D, 3.65%, 12/15/21	915,000	920,938
Series 2016-2, Cl. D, 3.39%, 4/15/22	300,000	300,924
Series 2017-1, Cl. D, 3.17%, 4/17/23	440,000	437,401
Series 2017-1, Cl. E, 5.05%, 7/15/24 <sup>1</sup>	1,110,000	1,129,510
Series 2017-2, Cl. D, 3.49%, 7/17/23	190,000	189,933
Series 2017-3, Cl. D, 3.20%, 11/15/23	760,000	753,844
Series 2018-1, Cl. D, 3.32%, 3/15/24	290,000	285,524
Series 2018-2, Cl. D, 3.88%, 2/15/24	145,000	144,499
Santander Retail Auto Lease Trust, Series		
2017-A, Cl. C, 2.96%, 11/21/22 <sup>1</sup>	505,000	498,122
TCF Auto Receivables Owner Trust, Series		
2015-1A, Cl. D, 3.53%, 3/15/22 <sup>1</sup>	285,000	283,502
United Auto Credit Securitization Trust,		
Series 2018-1, Cl. C, 3.05%, 9/10/21 <sup>1</sup>	625,000	622,770
Verizon Owner Trust, Series 2017-3A, Cl.		
A1A, 2.06%, 4/20/22 <sup>1</sup>	500,000	492,084
Veros Automobile Receivables Trust,		
Series 2017-1, Cl. A, 2.84%, 4/17/23 <sup>1</sup>	242,520	241,571
Westlake Automobile Receivables Trust:		
Series 2016-1A, Cl. E, 6.52%, 6/15/22 <sup>1</sup>	670,000	683,158
Series 2017-2A, Cl. E, 4.63%, 7/15/24 <sup>1</sup>	685,000	687,565
Series 2018-1A, Cl. C, 2.92%, 5/15/23 <sup>1</sup>	420,000	416,531
Series 2018-1A, Cl. D, 3.41%, 5/15/23 <sup>1</sup>	845,000	840,352
World Financial Network Credit Card Master Trust:		
Series 2012-D, Cl. A, 2.15%, 4/17/23	420,000	417,248
Series 2016-B, Cl. A, 1.44%, 6/15/22	1,010,000	1,008,608
Series 2017-A, Cl. A, 2.12%, 3/15/24	1,125,000	1,106,072
Series 2017-B, Cl. A, 1.98%, 6/15/23	845,000	837,897
Series 2017-C, Cl. A, 2.31%, 8/15/24	1,130,000	1,109,117
Series 2018-A, Cl. A, 3.07%, 12/16/24	1,440,000	1,434,364
Total Asset-Backed Securities (Cost \$43,967,035)		43,719,287

	Principal Amount	Value
<b>Mortgage-Backed Obligations—20.0%</b>		
<b>Government Agency—12.2%</b>		
<b>FHLMC/FNMA/FHLB/Sponsored—10.7%</b>		
Federal Home Loan Mortgage Corp. Gold Pool:		
5.00%, 9/1/33	\$ 222,614	\$ 237,003
5.50%, 9/1/39	264,087	282,741
6.00%, 11/1/21	33,394	36,501
6.50%, 9/1/18-8/1/32	198,644	220,584
7.00%, 10/1/31-10/1/37	44,922	49,010
7.50%, 1/1/32	223,164	259,002
Federal Home Loan Mortgage Corp., Interest-Only Stripped Mtg.-Backed Security:		
Series 192, Cl. IO, 99.999%, 2/1/28 <sup>3</sup>	4,953	1,023
Series 205, Cl. IO, 56.763%, 9/1/29 <sup>3</sup>	28,153	6,029
Series 243, Cl. 6, 1.946%, 12/15/32 <sup>3</sup>	61,799	10,381
Federal Home Loan Mortgage Corp., Real Estate Mtg. Investment Conduit Multiclass Pass-Through Certificates:		
Series 1360, Cl. PZ, 7.50%, 9/15/22	188,014	199,618
Series 151, Cl. F, 9.00%, 5/15/21	1,564	1,615
Series 1674, Cl. Z, 6.75%, 2/15/24	92,745	98,338
Series 1897, Cl. K, 7.00%, 9/15/26	342,639	372,488
Series 2043, Cl. ZP, 6.50%, 4/15/28	146,946	161,723
Series 2106, Cl. FG, 2.523% [LIBOR01M+45], 12/15/28 <sup>2</sup>	253,144	253,828
Series 2122, Cl. F, 2.523% [LIBOR01M+45], 2/15/29 <sup>2</sup>	6,696	6,729
Series 2148, Cl. ZA, 6.00%, 4/15/29	144,155	155,778
Series 2195, Cl. LH, 6.50%, 10/15/29	100,569	109,669
Series 2326, Cl. ZP, 6.50%, 6/15/31	14,016	15,099
Series 2344, Cl. FP, 3.023% [LIBOR01M+95], 8/15/31 <sup>2</sup>	67,071	68,938
Series 2368, Cl. PR, 6.50%, 10/15/31	46,738	51,566
Series 2412, Cl. GF, 3.023% [LIBOR01M+95], 2/15/32 <sup>2</sup>	82,419	84,748
Series 2449, Cl. FL, 2.623% [LIBOR01M+55], 1/15/32 <sup>2</sup>	75,252	76,344
Series 2451, Cl. FD, 3.073% [LIBOR01M+100], 3/15/32 <sup>2</sup>	35,578	36,641
Series 2461, Cl. PZ, 6.50%, 6/15/32	171,731	186,315
Series 2464, Cl. FI, 3.073% [LIBOR01M+100], 2/15/32 <sup>2</sup>	32,351	33,130
Series 2470, Cl. AF, 3.073% [LIBOR01M+100], 3/15/32 <sup>2</sup>	61,043	62,867
Series 2470, Cl. LF, 3.073% [LIBOR01M+100], 2/15/32 <sup>2</sup>	33,106	33,904
Series 2477, Cl. FZ, 2.623% [LIBOR01M+55], 6/15/31 <sup>2</sup>	134,530	135,369
Series 2517, Cl. GF, 3.073% [LIBOR01M+100], 2/15/32 <sup>2</sup>	28,784	29,478
Series 2635, Cl. AG, 3.50%, 5/15/32	43,837	43,632
Series 2668, Cl. AZ, 4.00%, 9/15/18	546	546
Series 2676, Cl. KY, 5.00%, 9/15/23	420,309	436,272
Series 2707, Cl. QE, 4.50%, 11/15/18	4,349	4,354
Series 2770, Cl. TW, 4.50%, 3/15/19	1,489	1,494
Series 3025, Cl. SJ, 17.148% [LIBOR01M+2,475], 8/15/35 <sup>2</sup>	80,931	108,625
Series 3741, Cl. PA, 2.15%, 2/15/35	49,079	49,025
Series 3815, Cl. BD, 3.00%, 10/15/20	658	658
Series 3840, Cl. CA, 2.00%, 9/15/18	333	333
Series 3848, Cl. WL, 4.00%, 4/15/40	109,803	110,936
Series 3857, Cl. GL, 3.00%, 5/15/40	5,286	5,319
Series 3917, Cl. BA, 4.00%, 6/15/38	55,905	55,529
Series 4221, Cl. HJ, 1.50%, 7/15/23	158,199	154,456
Federal Home Loan Mortgage Corp., Real Estate Mtg. Investment Conduit Multiclass Pass-Through Certificates, Interest-Only Stripped Mtg.-Backed Security:		
Series 2074, Cl. S, 99.999%, 7/17/28 <sup>3</sup>	6,953	722
Series 2079, Cl. S, 99.999%, 7/17/28 <sup>3</sup>	12,520	1,558
Series 2136, Cl. SG, 33.732%, 3/15/29 <sup>3</sup>	367,065	45,657
Series 2399, Cl. SG, 99.999%, 12/15/26 <sup>3</sup>	192,354	22,654
Series 2437, Cl. SB, 44.531%, 4/15/32 <sup>3</sup>	622,091	90,145

	Principal Amount	Value
<b>FHLMC/FNMA/FHLB/Sponsored (Continued)</b>		
Federal Home Loan Mortgage Corp., Real Estate Mtg. Investment Conduit Multiclass Pass-Through Certificates, Interest-Only Stripped Mtg.-Backed Security: (Continued)		
Series 2526, Cl. SE, 52.218%, 6/15/29 <sup>3</sup>	\$ 13,030	\$ 1,926
Series 2682, Cl. TQ, 99.999%, 10/15/33 <sup>3</sup>	135,532	18,723
Series 2795, Cl. SH, 69.615%, 3/15/24 <sup>3</sup>	238,348	18,080
Series 2920, Cl. S, 49.631%, 1/15/35 <sup>3</sup>	145,019	19,992
Series 2922, Cl. SE, 19.705%, 2/15/35 <sup>3</sup>	23,984	3,088
Series 2981, Cl. AS, 2.173%, 5/15/35 <sup>3</sup>	218,775	23,327
Series 2981, Cl. BS, 99.999%, 5/15/35 <sup>3</sup>	277,883	39,015
Series 3397, Cl. GS, 0.00%, 12/15/37 <sup>3,4</sup>	94,085	15,038
Series 3424, Cl. EI, 0.00%, 4/15/38 <sup>3,4</sup>	29,405	2,618
Series 3450, Cl. BI, 12.998%, 5/15/38 <sup>3</sup>	159,868	21,781
Series 3606, Cl. SN, 13.488%, 12/15/39 <sup>3</sup>	47,024	5,864
Series 3659, Cl. IE, 0.00%, 3/15/19 <sup>3,4</sup>	16,642	137
Series 3685, Cl. EI, 0.00%, 3/15/19 <sup>3,4</sup>	988	7
Federal National Mortgage Assn.:		
2.50%, 7/1/33 <sup>5</sup>	5,925,000	5,758,655
3.00%, 7/1/33-8/1/48 <sup>5</sup>	6,990,000	6,883,656
3.50%, 8/1/48 <sup>5</sup>	33,595,000	33,387,417
4.00%, 8/1/48 <sup>5</sup>	9,725,000	9,900,506
4.50%, 8/1/48 <sup>5</sup>	81,220,000	84,425,969
5.00%, 8/1/48 <sup>5</sup>	3,320,000	3,510,592
Federal National Mortgage Assn. Pool:		
5.00%, 7/1/19-7/1/33	261,572	278,904
5.50%, 4/1/21-5/1/36	146,387	157,426
6.50%, 12/1/29-1/1/34	419,873	464,470
7.00%, 1/1/30-6/1/34	530,956	599,300
7.50%, 2/1/27-3/1/33	710,419	811,448
8.50%, 7/1/32	527	536
Federal National Mortgage Assn., Interest-Only Stripped Mtg.-Backed Security:		
Series 214, Cl. 2, 99.999%, 3/25/23 <sup>3</sup>	67,565	7,934
Series 221, Cl. 2, 99.999%, 5/25/23 <sup>3</sup>	8,098	1,045
Series 254, Cl. 2, 99.999%, 1/25/24 <sup>3</sup>	139,633	19,668
Series 301, Cl. 2, 17.835%, 4/25/29 <sup>3</sup>	29,319	6,148
Series 313, Cl. 2, 99.999%, 6/25/31 <sup>3</sup>	293,775	63,056
Series 319, Cl. 2, 0.733%, 2/25/32 <sup>3</sup>	138,374	31,027
Series 321, Cl. 2, 21.623%, 4/25/32 <sup>3</sup>	41,798	9,894
Series 324, Cl. 2, 0.00%, 7/25/32 <sup>3,4</sup>	42,637	10,333
Series 328, Cl. 2, 0.00%, 12/25/32 <sup>3,4</sup>	82,104	18,731
Series 331, Cl. 5, 0.00%, 2/25/33 <sup>3,4</sup>	160,286	28,905
Series 332, Cl. 2, 0.00%, 3/25/33 <sup>3,4</sup>	676,912	157,820
Series 334, Cl. 12, 0.00%, 3/25/33 <sup>3,4</sup>	129,156	27,472
Series 339, Cl. 15, 4.107%, 10/25/33 <sup>3</sup>	378,405	83,748
Series 345, Cl. 9, 0.00%, 1/25/34 <sup>3,4</sup>	119,488	27,393
Series 351, Cl. 10, 0.00%, 4/25/34 <sup>3,4</sup>	71,874	17,509
Series 351, Cl. 8, 0.00%, 4/25/34 <sup>3,4</sup>	130,451	25,657
Series 356, Cl. 10, 0.00%, 6/25/35 <sup>3,4</sup>	93,026	20,209
Series 356, Cl. 12, 0.00%, 2/25/35 <sup>3,4</sup>	45,589	9,951
Series 362, Cl. 13, 0.00%, 8/25/35 <sup>3,4</sup>	61,664	15,056
Federal National Mortgage Assn., Real Estate Mtg. Investment Conduit Multiclass Pass-Through Certificates:		
Series 1999-54, Cl. LH, 6.50%, 11/25/29	87,175	94,646
Series 2001-80, Cl. ZB, 6.00%, 1/25/32	77,164	83,839
Series 2002-29, Cl. F, 3.091% [LIBOR01M+100], 4/25/32 <sup>2</sup>	36,998	37,919
Series 2002-64, Cl. FJ, 3.091% [LIBOR01M+100], 4/25/32 <sup>2</sup>	11,393	11,676
Series 2002-68, Cl. FH, 2.585% [LIBOR01M+50], 10/18/32 <sup>2</sup>	24,129	24,241
Series 2002-84, Cl. FB, 3.091% [LIBOR01M+100], 12/25/32 <sup>2</sup>	154,593	158,253
Series 2002-90, Cl. FH, 2.591% [LIBOR01M+50], 9/25/32 <sup>2</sup>	86,494	86,846
Series 2003-100, Cl. PA, 5.00%, 10/25/18	1,055	1,054
Series 2003-11, Cl. FA, 3.091% [LIBOR01M+100], 9/25/32 <sup>2</sup>	154,596	158,291

**CONSOLIDATED STATEMENT OF INVESTMENTS Unaudited / Continued**

	Principal Amount	Value
<b>FHLMC/FNMA/FHLB/Sponsored (Continued)</b>		
Federal National Mortgage Assn., Real Estate Mtg. Investment Conduit Multiclass Pass-Through Certificates: (Continued)		
Series 2003-112, Cl. AN, 4.00%, 11/25/18	\$ 1,262	\$ 1,263
Series 2003-116, Cl. FA, 2.491% [LIBOR01M+40], 11/25/33 <sup>2</sup>	16,334	16,351
Series 2003-84, Cl. GE, 4.50%, 9/25/18	291	290
Series 2004-25, Cl. PC, 5.50%, 1/25/34	8,217	8,272
Series 2005-109, Cl. AH, 5.50%, 12/25/25	574,185	597,408
Series 2005-31, Cl. PB, 5.50%, 4/25/35	560,000	601,826
Series 2005-71, Cl. DB, 4.50%, 8/25/25	82,726	84,432
Series 2006-11, Cl. PS, 16.899% [-3.667 x LIBOR01M+2, 456.67], 3/25/36 <sup>2</sup>	76,741	110,607
Series 2006-46, Cl. SW, 16.532% [-3.667 x LIBOR01M+2, 419.92], 6/25/36 <sup>2</sup>	117,828	160,929
Series 2008-75, Cl. DB, 4.50%, 9/25/23	3,368	3,372
Series 2009-113, Cl. DB, 3.00%, 12/25/20	16,551	16,550
Series 2009-36, Cl. FA, 3.031% [LIBOR01M+94], 6/25/37 <sup>2</sup>	20,665	21,143
Series 2009-70, Cl. TL, 4.00%, 8/25/19	4,656	4,655
Series 2010-43, Cl. KG, 3.00%, 1/25/21	14,796	14,805
Series 2011-122, Cl. EC, 1.50%, 1/25/20	10,644	10,563
Series 2011-15, Cl. DA, 4.00%, 3/25/41	51,876	51,682
Series 2011-3, Cl. EL, 3.00%, 5/25/20	21,784	21,767
Series 2011-3, Cl. KA, 5.00%, 4/25/40	136,050	141,691
Series 2011-38, Cl. AH, 2.75%, 5/25/20	322	322
Series 2011-6, Cl. BA, 2.75%, 6/25/20	10,107	10,163
Series 2011-82, Cl. AD, 4.00%, 8/25/26	42,801	42,906
Series 2012-20, Cl. FD, 2.491% [LIBOR01M+40], 3/25/42 <sup>2</sup>	197,022	197,172
Federal National Mortgage Assn., Real Estate Mtg. Investment Conduit Multiclass Pass-Through Certificates, Interest-Only Stripped Mtg.-Backed Security:		
Series 2001-61, Cl. SH, 31.924%, 11/18/31 <sup>3</sup>	39,340	6,782
Series 2001-63, Cl. SD, 48.844%, 12/18/31 <sup>3</sup>	10,428	1,580
Series 2001-68, Cl. SC, 37.788%, 11/25/31 <sup>3</sup>	7,369	1,199
Series 2001-81, Cl. S, 39.121%, 1/25/32 <sup>3</sup>	8,727	1,437
Series 2002-28, Cl. SA, 27.846%, 4/25/32 <sup>3</sup>	6,355	1,069
Series 2002-38, Cl. SO, 59.734%, 4/25/32 <sup>3</sup>	43,336	6,204
Series 2002-48, Cl. S, 35.674%, 7/25/32 <sup>3</sup>	9,675	1,723
Series 2002-52, Cl. SL, 26.236%, 9/25/32 <sup>3</sup>	6,386	1,117
Series 2002-56, Cl. SN, 36.836%, 7/25/32 <sup>3</sup>	13,294	2,368
Series 2002-77, Cl. IS, 50.059%, 12/18/32 <sup>3</sup>	73,832	13,077
Series 2002-77, Cl. SH, 40.805%, 12/18/32 <sup>3</sup>	12,941	2,039
Series 2002-9, Cl. MS, 24.646%, 3/25/32 <sup>3</sup>	11,565	2,086
Series 2003-13, Cl. IO, 42.96%, 3/25/33 <sup>3</sup>	127,662	30,163
Series 2003-26, Cl. DI, 46.118%, 4/25/33 <sup>3</sup>	103,276	26,591
Series 2003-33, Cl. SP, 29.306%, 5/25/33 <sup>3</sup>	70,133	13,689
Series 2003-4, Cl. S, 17.534%, 2/25/33 <sup>3</sup>	19,730	3,725
Series 2004-56, Cl. SE, 3.134%, 10/25/33 <sup>3</sup>	333,689	55,761
Series 2005-12, Cl. SC, 30.118%, 3/25/35 <sup>3</sup>	11,424	1,559
Series 2005-14, Cl. SE, 45.459%, 3/25/35 <sup>3</sup>	415,233	45,499

	Principal Amount	Value
<b>FHLMC/FNMA/FHLB/Sponsored (Continued)</b>		
Federal National Mortgage Assn., Real Estate Mtg. Investment Conduit Multiclass Pass-Through Certificates, Interest-Only Stripped Mtg.-Backed Security: (Continued)		
Series 2005-40, Cl. SA, 45.736%, 5/25/35 <sup>3</sup>	\$ 352,397	\$ 46,503
Series 2005-40, Cl. SB, 99.999%, 5/25/35 <sup>3</sup>	564,283	64,940
Series 2005-52, Cl. JH, 27.362%, 5/25/35 <sup>3</sup>	206,105	24,689
Series 2005-63, Cl. SA, 34.834%, 10/25/31 <sup>3</sup>	19,294	2,560
Series 2006-90, Cl. SX, 99.999%, 9/25/36 <sup>3</sup>	389,609	53,423
Series 2007-88, Cl. XI, 0.00%, 6/25/37 <sup>3,4</sup>	375,938	55,990
Series 2008-55, Cl. SA, 0.00%, 7/25/38 <sup>3,4</sup>	24,749	2,215
Series 2009-8, Cl. BS, 0.00%, 2/25/24 <sup>3,4</sup>	1,304	65
Series 2010-95, Cl. DI, 0.00%, 11/25/20 <sup>3,4</sup>	54,760	1,037
Series 2011-96, Cl. SA, 7.473%, 10/25/41 <sup>3</sup>	164,314	22,172
Series 2012-134, Cl. SA, 2.422%, 12/25/42 <sup>3</sup>	518,639	86,689
Series 2012-40, Cl. PI, 8.814%, 4/25/41 <sup>3</sup>	850,437	133,373
Government National Mortgage Assn. II Pool, 3.50%, 7/1/48 <sup>5</sup>	11,310,000	11,350,645
		166,175,308
<b>GNMA/Guaranteed—1.5%</b>		
Government National Mortgage Assn. I Pool:		
7.00%, 4/15/28-7/15/28	48,601	52,610
8.00%, 5/15/26	8,232	8,253
Government National Mortgage Assn. II Pool:		
3.125% [H15T1Y+150], 11/20/25 <sup>2</sup>	2,146	2,203
4.00%, 7/1/48 <sup>5</sup>	23,015,000	23,584,532
Government National Mortgage Assn., Interest-Only Stripped Mtg.-Backed Security:		
Series 2007-17, Cl. AI, 38.94%, 4/16/37 <sup>3</sup>	207,524	28,701
Series 2011-52, Cl. HS, 19.146%, 4/16/41 <sup>3</sup>	346,584	39,323
		23,715,622
<b>Non-Agency—7.8%</b>		
<b>Commercial—3.3%</b>		
BCAP LLC Trust:		
Series 2011-R11, Cl. 18A5, 3.41% [H15T1Y+210], 9/26/35 <sup>1,2</sup>	44,575	44,772
Series 2012-RR6, Cl. RR6, 2.054%, 11/26/36 <sup>1</sup>	68,179	67,898
Benchmark Mortgage Trust, Interest-Only Commercial Mtg. Pass-Through Certificates,		
Series 2018-B1, Cl. XA, 13.898%, 1/15/51 <sup>3</sup>	5,745,513	228,416
CD Mortgage Trust, Interest-Only Commercial Mtg. Pass-Through Certificates, Series 2017-CD6, Cl. XA, 14.496%, 11/13/50 <sup>3</sup>		
	2,318,947	145,205
Chase Mortgage Finance Trust, Series 2005-A2, Cl. 1A3, 3.602%, 1/25/36 <sup>6</sup>		
	12,484	11,822
Citigroup Commercial Mortgage Trust:		
Series 2012-GC8, Cl. AAB, 2.608%, 9/10/45	276,847	274,240
Series 2014-GC21, Cl. AAB, 3.477%, 5/10/47	270,000	272,426
Citigroup Commercial Mortgage Trust, Interest-Only Commercial Mtg. Pass-Through Certificates, Series 2017-C4, Cl. XA, 13.828%, 10/12/50 <sup>3</sup>		
	6,144,143	455,889
COMM Mortgage Trust:		
Series 2012-CR3, Cl. ASB, 2.372%, 10/15/45	52,050	51,375
Series 2012-LC4, Cl. A3, 3.069%, 12/10/44	109,738	109,772

	Principal Amount	Value
<b>Commercial (Continued)</b>		
COMM Mortgage Trust: (Continued)		
Series 2013-CR13, Cl. ASB, 3.706%, 11/10/46	\$ 510,000	\$ 517,763
Series 2013-CR6, Cl. AM, 3.147%, 3/10/46 <sup>1</sup>	960,000	941,546
Series 2014-CR17, Cl. ASB, 3.598%, 5/10/47	870,000	880,795
Series 2014-CR20, Cl. ASB, 3.305%, 11/10/47	180,000	180,413
Series 2014-CR21, Cl. AM, 3.987%, 12/10/47	25,000	25,072
Series 2014-LC15, Cl. AM, 4.198%, 4/10/47	455,000	464,256
Series 2014-UBS6, Cl. AM, 4.048%, 12/10/47	1,600,000	1,610,892
Series 2015-CR22, Cl. A2, 2.856%, 3/10/48	305,000	304,413
COMM Mortgage Trust, Interest-Only Stripped Mtg.-Backed Security, Series 2012-CR5, Cl. XA, 22.258%, 12/10/45 <sup>2</sup>	2,594,685	146,762
Deutsche Alt-B Securities, Inc. Mortgage Loan Trust, Series 2006-AB2, Cl. A1, 5.417%, 6/25/36 <sup>6</sup>	49,681	47,972
Deutsche Mortgage Securities, Inc., Series 2013-RS1, Cl. 1A2, 2.304% [US0001M+22], 7/22/36 <sup>1,2</sup>	5,060,144	4,863,177
Federal National Mortgage Assn., Stripped Mtg.-Backed Security, Series 302, Cl. 2, 6.00%, 5/1/29	3	—
FREMFG Mortgage Trust:		
Series 2012-K20, Cl. C, 4.005%, 5/25/45 <sup>1,6</sup>	4,165,000	4,081,813
Series 2013-K25, Cl. C, 3.744%, 11/25/45 <sup>1,6</sup>	135,000	130,999
Series 2013-K26, Cl. C, 3.721%, 12/25/45 <sup>1,6</sup>	95,000	92,047
Series 2013-K27, Cl. C, 3.615%, 1/25/46 <sup>1,6</sup>	1,460,000	1,407,001
Series 2013-K28, Cl. C, 3.61%, 6/25/46 <sup>1,6</sup>	2,330,000	2,300,824
Series 2013-K29, Cl. C, 3.601%, 5/25/46 <sup>1,6</sup>	2,300,000	2,193,125
Series 2013-K713, Cl. C, 3.262%, 4/25/46 <sup>1,6</sup>	535,000	532,494
Series 2014-K714, Cl. C, 3.981%, 1/25/47 <sup>1,6</sup>	400,000	401,840
Series 2015-K44, Cl. B, 3.81%, 1/25/48 <sup>1,6</sup>	2,310,000	2,274,318
Series 2015-K45, Cl. B, 3.714%, 4/25/48 <sup>1,6</sup>	4,646,000	4,525,871
Series 2017-K62, Cl. B, 4.004%, 1/25/50 <sup>1,6</sup>	280,000	275,957
Series 2017-K724, Cl. B, 3.601%, 11/25/23 <sup>1,6</sup>	1,535,000	1,488,653
GS Mortgage Securities Corp. Trust, Series 2012-SHOP, Cl. A, 2.933%, 6/5/31 <sup>1</sup>	1,200,000	1,201,604
GS Mortgage Securities Trust:		
Series 2013-GC12, Cl. AAB, 2.678%, 6/10/46	93,432	92,453
Series 2013-GC16, Cl. AS, 4.649%, 11/10/46	160,000	167,773
Series 2014-GC18, Cl. AAB, 3.648%, 1/10/47	235,000	237,935
JP Morgan Chase Commercial Mortgage Securities Trust:		
Series 2012-C6, Cl. ASB, 3.144%, 5/15/45	368,845	369,289
Series 2012-LC9, Cl. A4, 2.611%, 12/15/47	60,000	59,046

	Principal Amount	Value
<b>Commercial (Continued)</b>		
JP Morgan Chase Commercial Mortgage Securities Trust: (Continued)		
Series 2013-C10, Cl. AS, 3.372%, 12/15/47	\$ 855,000	\$ 844,103
Series 2013-C16, Cl. AS, 4.517%, 12/15/46	820,000	855,744
Series 2013-LC11, Cl. AS, 3.216%, 4/15/46	235,000	230,315
Series 2013-LC11, Cl. ASB, 2.554%, 4/15/46	131,362	129,688
Series 2014-C20, Cl. AS, 4.043%, 7/15/47	630,000	637,802
Series 2016-JP3, Cl. A2, 2.435%, 8/15/49	600,000	585,189
JP Morgan Mortgage Trust, Series 2007-A1, Cl. 5A1, 3.692%, 7/25/35 <sup>6</sup>	54,030	55,592
JP Morgan Resecuritization Trust, Series 2009-5, Cl. 1A2, 4.278%, 7/26/36 <sup>1,6</sup>	2,567,395	2,471,502
JPMBB Commercial Mortgage Securities Trust:		
Series 2013-C17, Cl. ASB, 3.705%, 1/15/47	200,000	202,902
Series 2014-C18, Cl. A3, 3.578%, 2/15/47	295,000	295,601
Series 2014-C19, Cl. ASB, 3.584%, 4/15/47	110,000	111,177
Series 2014-C24, Cl. B, 4.116%, 11/15/47 <sup>6</sup>	680,000	683,027
Series 2014-C25, Cl. AS, 4.065%, 11/15/47	1,720,000	1,740,802
Series 2014-C26, Cl. AS, 3.80%, 1/15/48	1,515,000	1,510,060
Morgan Stanley Bank of America Merrill Lynch Trust:		
Series 2013-C7, Cl. AAB, 2.469%, 2/15/46	263,163	259,586
Series 2013-C9, Cl. AS, 3.456%, 5/15/46	570,000	560,678
Series 2014-C14, Cl. B, 4.793%, 2/15/47 <sup>6</sup>	240,000	250,772
Morgan Stanley Capital I, Inc., Interest-Only Commercial Mtg. Pass-Through Certificates,		
Series 2017-HR2, Cl. XA, 12.66%, 12/15/50 <sup>3</sup>	2,021,751	120,916
Morgan Stanley Re-Remic Trust, Series 2012-R3, Cl. 1A, 3.059%, 11/26/36 <sup>1,6</sup>		
	7,600	7,597
Morgan Stanley Resecuritization Trust, Series 2013-R9, Cl. 3A, 3.475%, 6/26/46 <sup>1,6</sup>		
	74,296	74,249
Structured Adjustable Rate Mortgage Loan Trust, Series 2004-10, Cl. 2A, 3.731%, 8/25/34 <sup>6</sup>		
	2,373,051	2,388,843
UBS Commercial Mortgage Trust, Interest-Only Commercial Mtg. Pass-Through Certificates,		
Series 2017-C5, Cl. XA, 13.993%, 11/15/50 <sup>3</sup>	3,825,702	256,011
UBS-Barclays Commercial Mortgage Trust,		
Series 2012-C2, Cl. E, 5.05%, 5/10/63 <sup>1,6</sup>	930,000	773,248
Wells Fargo Commercial Mortgage Trust, Series 2015-NXS1, Cl. ASB, 2.934%, 5/15/48		
	940,000	928,064
Wells Fargo Commercial Mortgage Trust, Interest-Only Commercial Mtg. Pass-Through Certificates, Series 2017-C42, Cl. XA, 12.341%, 12/15/50 <sup>3</sup>		
	2,804,592	190,793
WF-RBS Commercial Mortgage Trust:		
Series 2013-C14, Cl. AS, 3.488%, 6/15/46	640,000	633,056
Series 2014-C20, Cl. AS, 4.176%, 5/15/47	490,000	494,263
Series 2014-C22, Cl. A3, 3.528%, 9/15/57	120,000	120,527
Series 2014-LC14, Cl. AS, 4.351%, 3/15/47 <sup>6</sup>	395,000	405,592

# CONSOLIDATED STATEMENT OF INVESTMENTS Unaudited / Continued

	Principal Amount	Value
<b>Commercial (Continued)</b>		
WF-RBS Commercial Mortgage Trust, Interest-Only Commercial Mtg. Pass-Through Certificates, Series 2011-C3, Cl. A, 28.559%, 3/15/44 <sup>1,3</sup>	\$ 3,127,629	\$ 96,020
		51,391,637
<b>Multi-Family—0.1%</b>		
Connecticut Avenue Securities:		
Series 2014-C02, Cl. 1M1, 3.041% [US0001M+95], 5/25/24 <sup>2</sup>	286,164	286,997
Series 2017-C04, Cl. 2M1, 2.941% [US0001M+85], 11/25/29 <sup>2</sup>	758,547	760,929
		1,047,926
<b>Residential—4.4%</b>		
Banc of America Funding Trust, Series 2014- R7, Cl. 3A1, 3.822%, 3/26/36 <sup>1,6</sup>		
	36,861	37,134
Bear Stearns ARM Trust, Series 2006-1, Cl. A1, 3.67% [H15T1Y+225], 2/25/36 <sup>2</sup>		
	43,316	43,688
CHL Mortgage Pass-Through Trust:		
Series 2005-17, Cl. 1A8, 5.50%, 9/25/35	553,565	552,576
Series 2005-J4, Cl. A7, 5.50%, 11/25/35	518,894	520,665
Citigroup Mortgage Loan Trust, Inc.:		
Series 2005-2, Cl. 1A3, 3.964%, 5/25/35 <sup>6</sup>	627,195	633,273
Series 2006-AR1, Cl. 1A1, 4.28% [H15T1Y+240], 10/25/35 <sup>2</sup>	188,223	190,582
Series 2009-8, Cl. 7A2, 3.822%, 3/25/36 <sup>1,6</sup>	8,032,065	8,060,647
Series 2012-8, Cl. 1A1, 3.901%, 10/25/35 <sup>1,6</sup>	14,787	14,809
Series 2014-8, Cl. 1A2, 2.374% [US0001M+29], 7/20/36 <sup>1,2</sup>	3,400,000	3,338,332
Connecticut Avenue Securities:		
Series 2014-C03, Cl. 1M2, 5.091% [US0001M+300], 7/25/24 <sup>2</sup>	878,428	941,889
Series 2016-C03, Cl. 1M1, 4.091% [US0001M+200], 10/25/28 <sup>2</sup>	205,133	207,957
Series 2016-C07, Cl. 2M1, 3.391% [US0001M+130], 5/25/29 <sup>2</sup>	422,988	424,602
Series 2017-C01, Cl. 1M2, 5.641% [US0001M+355], 7/25/29 <sup>2</sup>	4,140,000	4,501,242
Series 2017-C02, Cl. 2M1, 3.241% [US0001M+115], 9/25/29 <sup>2</sup>	1,214,889	1,221,869
Series 2017-C03, Cl. 1M1, 3.041% [US0001M+95], 10/25/29 <sup>2</sup>	1,098,692	1,105,071
Series 2017-C06, Cl. 1M1, 2.841% [US0001M+75], 2/25/30 <sup>2</sup>	259,070	259,496
Series 2017-C07, Cl. 1M1, 2.741% [US0001M+65], 5/25/30 <sup>2</sup>	574,610	574,725
Series 2017-C07, Cl. 1M2, 4.491% [US0001M+240], 5/25/30 <sup>2</sup>	580,000	592,608
Series 2017-C07, Cl. 2M1, 2.741% [US0001M+65], 5/25/30 <sup>2</sup>	228,242	228,345
Series 2018-C01, Cl. 1M1, 2.691% [US0001M+60], 7/25/30 <sup>2</sup>	784,275	783,401
Series 2018-C02, Cl. 2M1, 2.741% [US0001M+65], 8/25/30 <sup>2</sup>	315,472	315,605
CWHEQ Revolving Home Equity Loan Trust:		
Series 2005-G, Cl. 2A, 2.303% [US0001M+23], 12/15/35 <sup>2</sup>	26,662	26,268
Series 2006-H, Cl. 2A1A, 2.223% [US0001M+15], 11/15/36 <sup>2</sup>	20,315	15,675
GSR Mortgage Loan Trust, Series 2005-AR4, Cl. 6A1, 4.349%, 7/25/35 <sup>6</sup>	12,906	13,033
Home Equity Mortgage Trust, Series 2005-1, Cl. M6, 5.863%, 6/25/35 <sup>6</sup>	26,115	26,181
HomeBanc Mortgage Trust, Series 2005-3, Cl. A2, 2.401% [US0001M+31], 7/25/35 <sup>2</sup>	18,282	18,265

	Principal Amount	Value
<b>Residential (Continued)</b>		
MASTR Asset Backed Securities Trust, Series 2006-WMC3, Cl. A3, 2.191% [US0001M+10], 8/25/36 <sup>2</sup>		
	\$ 868,540	\$ 461,137
RALI Trust, Series 2006-QS13, Cl. 1A8, 6.00%, 9/25/36		
	13,072	11,703
Residential Asset Securitization Trust, Series 2005-A6CB, Cl. A7, 6.00%, 6/25/35		
	1,840,168	1,732,597
Structured Agency Credit Risk Debt Nts.:		
Series 2013-DN2, Cl. M2, 6.341% [US0001M+425], 11/25/23 <sup>2</sup>	950,581	1,056,969
Series 2014-DN1, Cl. M3, 6.591% [US0001M+450], 2/25/24 <sup>2</sup>	815,000	940,555
Series 2014-DN2, Cl. M3, 5.691% [US0001M+360], 4/25/24 <sup>2</sup>	840,000	932,422
Series 2014-HQ2, Cl. M3, 5.841% [US0001M+375], 9/25/24 <sup>2</sup>	915,000	1,044,981
Series 2015-HQA2, Cl. M2, 4.891% [US0001M+280], 5/25/28 <sup>2</sup>	325,357	334,547
Series 2016-DNA1, Cl. M2, 4.991% [US0001M+290], 7/25/28 <sup>2</sup>	388,225	398,311
Series 2016-DNA3, Cl. M3, 7.091% [US0001M+500], 12/25/28 <sup>2</sup>	3,845,000	4,512,291
Series 2016-DNA4, Cl. M1, 2.891% [US0001M+80], 3/25/29 <sup>2</sup>	127,124	127,242
Series 2016-DNA4, Cl. M3, 5.891% [US0001M+380], 3/25/29 <sup>2</sup>	5,570,000	6,206,043
Series 2016-HQA3, Cl. M1, 2.891% [US0001M+80], 3/25/29 <sup>2</sup>	627,852	628,681
Series 2016-HQA3, Cl. M3, 5.941% [US0001M+385], 3/25/29 <sup>2</sup>	3,400,000	3,796,461
Series 2016-HQA4, Cl. M1, 2.891% [US0001M+80], 4/25/29 <sup>2</sup>	443,578	444,041
Series 2016-HQA4, Cl. M3, 5.991% [US0001M+390], 4/25/29 <sup>2</sup>	4,580,000	5,121,630
Series 2017-DNA1, Cl. M2, 5.341% [US0001M+325], 7/25/29 <sup>2</sup>	4,400,000	4,746,443
Series 2017-HQA1, Cl. M1, 3.291% [US0001M+120], 8/25/29 <sup>2</sup>	1,757,023	1,769,164
Series 2017-HQA2, Cl. M1, 2.891% [US0001M+80], 12/25/29 <sup>2</sup>	531,974	533,048
Series 2017-HQA3, Cl. M1, 2.641% [US0001M+55], 4/25/30 <sup>2</sup>	1,264,886	1,264,088
Series 2018-DNA1, Cl. M1, 2.541% [US0001M+45], 7/25/30 <sup>2</sup>	1,621,964	1,615,606
Series 2018-DNA1, Cl. M2, 3.891% [US0001M+180], 7/25/30 <sup>2</sup>	1,200,000	1,181,523
WaMu Mortgage Pass-Through Certificates Trust:		
Series 2003-AR10, Cl. A7, 3.459%, 10/25/33 <sup>6</sup>	60,983	61,977
Series 2005-AR16, Cl. 1A1, 3.398%, 12/25/35 <sup>6</sup>	8,475	8,524
Wells Fargo Mortgage-Backed Securities Trust:		
Series 2005-AR1, Cl. 1A1, 3.839%, 2/25/35 <sup>6</sup>	822,501	843,751
Series 2005-AR15, Cl. 1A2, 3.552%, 9/25/35 <sup>6</sup>	130,827	127,511
Series 2005-AR15, Cl. 1A6, 3.552%, 9/25/35 <sup>6</sup>	1,583,756	1,532,599
Series 2005-AR4, Cl. 2A2, 3.97%, 4/25/35 <sup>6</sup>	7,772	7,842
Series 2006-AR10, Cl. 1A1, 4.12%, 7/25/36 <sup>6</sup>	158,792	155,823
Series 2006-AR10, Cl. 5A5, 4.278%, 7/25/36 <sup>6</sup>	290,665	295,385
Series 2006-AR2, Cl. 2A3, 3.822%, 3/25/36 <sup>6</sup>	1,370,893	1,389,181
Series 2006-AR7, Cl. 2A4, 4.323%, 5/25/36 <sup>6</sup>	759,289	778,394



	Principal Amount	Value
<b>Residential (Continued)</b>		
Wells Fargo Mortgage-Backed Securities Trust: (Continued)		
Series 2006-AR8, Cl. 2A1, 3.933%, 4/25/36 <sup>6</sup>	\$ 514,357	\$ 523,789
		69,232,197
Total Mortgage-Backed Obligations (Cost \$306,492,283)		311,562,690

#### Foreign Government Obligations—17.1%

##### Angola—0.3%

Republic of Angola:

8.25% Sr. Unsec. Nts., 5/9/28 <sup>1</sup>	2,950,000	2,960,107
9.375% Sr. Unsec. Nts., 5/8/48 <sup>1</sup>	1,535,000	1,554,029
		4,514,136

##### Argentina—1.4%

Argentine Republic:

4.625% Sr. Unsec. Nts., 1/11/23	1,480,000	1,307,780
5.875% Sr. Unsec. Nts., 1/11/28	4,380,000	3,572,437
6.875% Sr. Unsec. Nts., 1/26/27	1,625,000	1,436,094
6.875% Sr. Unsec. Nts., 1/11/48	1,935,000	1,466,749
7.50% Sr. Unsec. Nts., 4/22/26	695,000	643,744
16.00% Bonds, 10/17/23	ARS 9,285,000	289,294
18.20% Unsec. Nts., 10/3/21	ARS 9,285,000	275,902
21.20% Bonds, 9/19/18	ARS 383,950,000	12,739,781
		21,731,781

##### Belarus—0.0%

Republic of Belarus, 6.875% Sr. Unsec.

Nts., 2/28/23 <sup>1</sup>	515,000	534,274
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##### Brazil—0.7%

Federative Republic of Brazil:

5.00% Sr. Unsec. Nts., 1/27/45	1,500,000	1,191,015
10.00% Unsec. Nts., 1/1/21	BRL 11,000,000	2,880,363
10.00% Unsec. Nts., 1/1/25	BRL 26,900,000	6,540,610
18.093% Unsec. Nts., 5/15/45 <sup>14</sup>	BRL 850,000	680,710
		11,292,698

##### Chile—0.5%

Republic of Chile, 4.50% Bonds, 3/1/21	CLP 4,818,500,000	7,529,813
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##### Colombia—0.6%

Republic of Colombia:

3.875% Sr. Unsec. Nts., 4/25/27	495,000	479,284
4.00% Sr. Unsec. Nts., 2/26/24	485,000	485,121
6.125% Sr. Unsec. Nts., 1/18/41	1,815,000	2,037,337
Series B, 7.50% Bonds, 8/26/26	COP 12,830,000,000	4,658,537
Series B, 10.00% Bonds, 7/24/24	COP 5,146,000,000	2,093,853
		9,754,132

##### Croatia—0.1%

Republic of Croatia, 3.875% Sr. Unsec. Nts., 5/30/22	EUR 1,405,000	1,817,265
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##### Dominican Republic—0.6%

Dominican Republic:

5.95% Sr. Unsec. Nts., 1/25/27 <sup>1</sup>	8,770,000	8,693,262
6.85% Sr. Unsec. Nts., 1/27/45 <sup>1</sup>	1,030,000	1,024,809
		9,718,071

##### Ecuador—0.2%

Republic of Ecuador:

7.875% Sr. Unsec. Nts., 1/23/28 <sup>1</sup>	915,000	769,927
8.875% Sr. Unsec. Nts., 10/23/27 <sup>1</sup>	1,860,000	1,650,657
		2,420,584

##### Egypt—0.5%

Arab Republic of Egypt:

4.75% Sr. Unsec. Nts., 4/16/26 <sup>1</sup>	EUR 2,000,000	2,153,229
6.125% Sr. Unsec. Nts., 1/31/22 <sup>1</sup>	1,065,000	1,050,033
6.588% Sr. Unsec. Nts., 2/21/28 <sup>1</sup>	1,040,000	958,677
6.875% Sr. Unsec. Nts., 4/30/40 <sup>1</sup>	300,000	256,842
8.50% Sr. Unsec. Nts., 1/31/47 <sup>1</sup>	1,550,000	1,506,575

	Principal Amount	Value
<b>Egypt (Continued)</b>		
Arab Republic of Egypt: (Continued)		
Series 3YR, 16.00% Unsec. Nts., 12/12/20	EGP 28,000,000	\$ 1,524,377
		7,449,733

##### Gabon—0.2%

Gabonese Republic, 6.375% Bonds, 12/12/24<sup>1</sup>

2,665,000	2,394,665
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##### Ghana—0.2%

Republic of Ghana:

7.625% Sr. Unsec. Nts., 5/16/29 <sup>1</sup>	2,470,000	2,416,747
8.627% Sr. Unsec. Nts., 6/16/49 <sup>1</sup>	1,440,000	1,405,630
		3,822,377

##### Greece—1.4%

Hellenic Republic:

Bonds, 10/15/42 <sup>6</sup>	EUR 30,230,000	140,646
3.375% Sr. Unsec. Nts., 2/15/25 <sup>1</sup>	EUR 3,615,000	4,184,156
3.75% Bonds, 1/30/28	EUR 3,790,000	4,356,722
3.90% Bonds, 1/30/33	EUR 11,555,000	12,607,189
4.00% Bonds, 1/30/37	EUR 930,000	992,655
		22,281,368

##### Honduras—0.1%

Republic of Honduras:

6.25% Sr. Unsec. Nts., 1/19/27 <sup>1</sup>	515,000	518,708
8.75% Sr. Unsec. Nts., 12/16/20 <sup>1</sup>	455,000	493,538
		1,012,246

##### Hungary—0.2%

Hungary:

5.75% Sr. Unsec. Nts., 11/22/23	1,025,000	1,105,012
Series 25/B, 5.50% Bonds, 6/24/25	HUF 160,840,000	660,972
Series 27/A, 3.00% Bonds, 10/27/27	HUF 400,000,000	1,354,675
		3,120,659

##### India—1.4%

Republic of India:

7.59% Sr. Unsec. Nts., 1/11/26	INR 600,000,000	8,492,065
8.20% Sr. Unsec. Nts., 2/15/22	INR 600,000,000	8,837,764
8.20% Sr. Unsec. Nts., 9/24/25	INR 270,600,000	3,965,286
		21,295,115

##### Indonesia—1.4%

Perusahaan Penerbit SBSN Indonesia III:

4.35% Sr. Unsec. Nts., 9/10/24 <sup>1</sup>	575,000	575,719
4.55% Sr. Unsec. Nts., 3/29/26 <sup>1</sup>	940,000	936,475

Republic of Indonesia:

3.85% Sr. Unsec. Nts., 7/18/27 <sup>1</sup>	975,000	926,629
4.125% Sr. Unsec. Nts., 1/15/25 <sup>1</sup>	490,000	482,209
Series FR53, 8.25% Sr. Unsec. Nts., 7/15/21	IDR 50,865,000,000	3,622,546
Series FR56, 8.375% Sr. Unsec. Nts., 9/15/26	IDR 104,095,000,000	7,427,669
Series FR74, 7.50% Sr. Unsec. Nts., 8/15/32	IDR 112,480,000,000	7,397,934
		21,369,181

##### Iraq—0.1%

Republic of Iraq:

5.80% Unsec. Nts., 1/15/28 <sup>1</sup>	615,000	553,571
6.752% Sr. Unsec. Nts., 3/9/23 <sup>1</sup>	1,000,000	963,370
		1,516,941

##### Ivory Coast—0.3%

Republic of Cote d'Ivoire:

5.125% Sr. Unsec. Nts., 6/15/25 <sup>1</sup>	EUR 1,065,000	1,254,419
5.25% Sr. Unsec. Nts., 3/22/30 <sup>1</sup>	EUR 1,232,000	1,379,760
6.125% Sr. Unsec. Nts., 6/15/33 <sup>1</sup>	1,265,000	1,120,193
6.625% Sr. Unsec. Nts., 3/22/48 <sup>1</sup>	EUR 1,026,000	1,131,677
		4,886,049

# CONSOLIDATED STATEMENT OF INVESTMENTS Unaudited / Continued

		Principal Amount	Value
<b>Mexico—0.8%</b>			
United Mexican States:			
3.75% Sr. Unsec. Nts., 1/11/28	\$	1,020,000	\$ 965,685
Series M, 5.75% Bonds, 3/5/26	MXN	54,445,000	2,450,570
Series M, 8.00% Sr. Unsec. Nts., 12/7/23	MXN	150,000,000	7,666,973
Series M, 8.00% Bonds, 11/7/47	MXN	22,265,000	1,161,820
			12,245,048
<b>Mongolia—0.1%</b>			
Mongolia:			
5.125% Sr. Unsec. Nts., 12/5/22 <sup>1</sup>		300,000	281,692
5.625% Sr. Unsec. Nts., 5/1/23 <sup>1</sup>		700,000	664,289
			945,981
<b>Nigeria—0.2%</b>			
Federal Republic of Nigeria:			
7.143% Sr. Unsec. Nts., 2/23/30 <sup>1</sup>		725,000	686,185
7.696% Sr. Unsec. Nts., 2/23/38 <sup>1</sup>		1,760,000	1,668,146
			2,354,331
<b>Oman—0.2%</b>			
Sultanate of Oman, 6.75% Sr. Unsec. Nts., 1/17/48 <sup>1</sup>			
		3,325,000	3,021,427
<b>Peru—0.5%</b>			
Republic of Peru:			
5.70% Unsec. Nts., 8/12/24 <sup>1</sup>	PEN	5,345,000	1,690,791
6.15% Sr. Unsec. Nts., 8/12/32 <sup>1</sup>	PEN	4,370,000	1,368,334
6.35% Sr. Unsec. Nts., 8/12/28 <sup>1</sup>	PEN	5,640,000	1,798,025
7.84% Sr. Unsec. Nts., 8/12/20 <sup>1</sup>	PEN	9,000,000	3,026,949
			7,884,099
<b>Poland—0.4%</b>			
Republic of Poland:			
Series 0422, 2.25% Bonds, 4/25/22	PLN	13,800,000	3,691,237
Series 0725, 3.25% Bonds, 7/25/25	PLN	5,000,000	1,358,206
Series 0727, 2.50% Bonds, 7/25/27	PLN	6,650,000	1,680,134
			6,729,577
<b>Portugal—0.0%</b>			
Portuguese Republic, 4.10% Sr. Unsec. Nts., 2/15/45 <sup>1</sup>			
	EUR	475,000	684,188
<b>Romania—0.1%</b>			
Romania:			
2.375% Sr. Unsec. Nts., 4/19/27 <sup>1</sup>	EUR	975,000	1,142,627
3.875% Sr. Unsec. Nts., 10/29/35 <sup>1</sup>	EUR	345,000	412,471
			1,555,098
<b>Russia—0.3%</b>			
Russian Federation:			
4.375% Sr. Unsec. Nts., 3/21/29 <sup>1</sup>		495,000	480,555
Series 6209, 7.60% Bonds, 7/20/22	RUB	66,585,000	1,073,313
Series 6211, 7.00% Bonds, 1/25/23	RUB	205,000,000	3,221,831
			4,775,699
<b>Senegal—0.1%</b>			
Republic of Senegal:			
6.25% Sr. Unsec. Nts., 7/30/24 <sup>1</sup>		590,000	580,071
6.25% Unsec. Nts., 5/23/33 <sup>1</sup>		510,000	453,518
6.75% Sr. Unsec. Nts., 3/13/48 <sup>1</sup>		935,000	802,945
			1,836,534
<b>Serbia—0.1%</b>			
Republic of Serbia, 5.875% Unsec. Nts., 12/3/18 <sup>1</sup>			
		1,965,000	1,986,283
<b>South Africa—1.6%</b>			
Republic of South Africa:			
5.875% Sr. Unsec. Nts., 6/22/30		1,480,000	1,471,392
Series 2023, 7.75% Bonds, 2/28/23	ZAR	22,500,000	1,609,439
Series 2030, 8.00% Bonds, 1/31/30	ZAR	77,000,000	5,125,228
Series 2037, 8.50% Bonds, 1/31/37	ZAR	107,000,000	7,075,721
Series 2048, 8.75% Bonds, 2/28/48	ZAR	15,000,000	994,892
Series R186, 10.50% Bonds, 12/21/26	ZAR	86,675,000	6,926,645

		Principal Amount	Value
<b>South Africa (Continued)</b>			
Republic of South Africa: (Continued)			
Series R214, 6.50% Bonds, 2/28/41	ZAR	25,000,000	\$ 1,296,293
			24,499,610
<b>Sri Lanka—0.4%</b>			
Democratic Socialist Republic of Sri Lanka:			
5.75% Sr. Unsec. Nts., 4/18/23 <sup>1</sup>		1,500,000	1,439,865
5.875% Sr. Unsec. Nts., 7/25/22 <sup>1</sup>		1,475,000	1,451,875
6.00% Sr. Unsec. Nts., 1/14/19 <sup>1</sup>		1,540,000	1,548,686
6.25% Sr. Unsec. Nts., 10/4/20 <sup>1</sup>		465,000	471,952
6.75% Sr. Unsec. Nts., 4/18/28 <sup>1</sup>		990,000	936,689
			5,849,067
<b>Thailand—0.4%</b>			
Kingdom of Thailand:			
1.875% Sr. Unsec. Nts., 6/17/22	THB	65,400,000	1,966,971
2.125% Sr. Unsec. Nts., 12/17/26	THB	150,000,000	4,372,719
			6,339,690
<b>Turkey—0.9%</b>			
Republic of Turkey:			
8.80% Bonds, 11/14/18	TRY	10,570,000	2,238,778
10.60% Bonds, 2/11/26	TRY	5,000,000	829,370
10.70% Bonds, 2/17/21	TRY	28,445,000	5,294,138
11.00% Bonds, 2/24/27	TRY	9,570,000	1,591,580
12.40% Bonds, 3/8/28	TRY	25,000,000	4,500,582
			14,454,448
<b>Ukraine—0.6%</b>			
Ukraine:			
7.75% Sr. Unsec. Nts., 9/1/20		985,000	982,355
7.75% Sr. Unsec. Nts., 9/1/23		2,250,000	2,173,005
7.75% Sr. Unsec. Nts., 9/1/24		1,445,000	1,374,406
7.75% Sr. Unsec. Nts., 9/1/25		950,000	894,382
7.75% Sr. Unsec. Nts., 9/1/26		3,240,000	3,013,874
7.75% Sr. Unsec. Nts., 9/1/27		1,645,000	1,515,808
			9,953,830
<b>Uruguay—0.2%</b>			
Oriental Republic of Uruguay:			
5.10% Sr. Unsec. Nts., 6/18/50		2,860,000	2,822,105
9.875% Sr. Unsec. Nts., 6/20/22 <sup>1</sup>	UYU	13,555,000	429,294
			3,251,399
Total Foreign Government Obligations (Cost \$293,672,653)			266,827,397
<b>Corporate Loans—0.4%</b>			
Albertson's LLC, Sr. Sec. Credit Facilities			
1st Lien Term Loan, Tranche B4, 4.73% [LIBOR12+275], 8/25/21 <sup>2</sup>		274,307	272,063
Aleris International, Inc., Sr. Sec. Credit Facilities 1st Lien Term Loan, 7.069% 4/15/23 <sup>5,6</sup>			
		550,000	546,045
American Greetings Corp., Sr. Sec. Credit Facilities 1st Lien Term Loan, Tranche B, 6.594% [LIBOR12+450], 4/6/24 <sup>2</sup>			
		590,000	595,162
Clear Channel Communications, Inc., Extended Sr. Sec. Credit Facilities 1st Lien Term Loan, Tranche D, 8.844% [LIBOR4+675], 1/30/19 <sup>2,7</sup>			
		800,000	612,300
JC Penney Corp., Inc., Sr. Sec. Credit Facilities 1st Lien Term Loan, Tranche B, 6.569% [LIBOR4+425], 6/23/23 <sup>2</sup>			
		392,435	375,757
Monitronics International, Inc., Sr. Sec. Credit Facilities 1st Lien Term Loan, Tranche B2, 7.834% [LIBOR4+550], 9/30/22 <sup>2</sup>			
		274,302	262,602
Murray Energy Corp., Sr. Sec. Credit Facilities 1st Lien Term Loan, Tranche B2, 9.344% [LIBOR4+725], 4/16/20 <sup>2</sup>			
		1,582,981	1,496,827

	Principal Amount	Value
<b>Corporate Loans (Continued)</b>		
Neiman Marcus Group Ltd. LLC, Sr. Sec. Credit Facilities 1st Lien Term Loan, 5.263% [LIBOR12+325], 10/25/20 <sup>2</sup>	\$ 1,049,468	\$ 932,715
PetSmart, Inc., Sr. Sec. Credit Facilities 1st Lien Term Loan, Tranche B, 5.01% [LIBOR12+300], 3/11/22 <sup>2</sup>	275,000	228,040
Windstream Services LLC, Sr. Sec. Credit Facilities 1st Lien Term Loan, Tranche B6, 6.09% [LIBOR12+400], 3/29/21 <sup>2</sup>	307,652	293,038
Total Corporate Loans (Cost \$5,571,792)		5,614,549

#### Corporate Bonds and Notes—39.5%

##### Consumer Discretionary—6.0%

##### Auto Components—0.2%

American Axle & Manufacturing, Inc., 6.25% Sr. Unsec. Nts., 4/1/25	1,100,000	1,095,875
Cooper-Standard Automotive, Inc., 5.625% Sr. Unsec. Nts., 11/15/26 <sup>8</sup>	250,000	247,500
Dana Financing Luxembourg Sarl, 6.50% Sr. Unsec. Nts., 6/1/26 <sup>1</sup>	705,000	717,337
Goodyear Tire & Rubber Co. (The), 5.00% Sr. Unsec. Nts., 5/31/26	520,000	485,550
Grinding Media, Inc./Moly-Cop AltaSteel Ltd., 7.375% Sr. Sec. Nts., 12/15/23 <sup>1</sup>	345,000	360,525
Tenneco, Inc., 5.00% Sr. Unsec. Nts., 7/15/26	360,000	322,380
		3,229,167

##### Automobiles—0.1%

Harley-Davidson, Inc., 4.625% Sr. Unsec. Nts., 7/28/45	240,000	233,562
Jaguar Land Rover Automotive plc, 4.50% Sr. Unsec. Nts., 10/1/27 <sup>1</sup>	690,000	619,275
		852,837

##### Distributors—0.0%

LKQ Corp., 4.75% Sr. Unsec. Nts., 5/15/23	387,000	387,000
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##### Diversified Consumer Services—0.1%

Cengage Learning, Inc., 9.50% Sr. Unsec. Nts., 6/15/24 <sup>1</sup>	140,000	119,000
KCA Deutag UK Finance plc, 9.625% Sr. Sec. Nts., 4/1/23 <sup>1</sup>	275,000	279,469
Monitronics International, Inc., 9.125% Sr. Unsec. Nts., 4/1/20	735,000	475,912
Service Corp. International, 4.625% Sr. Unsec. Nts., 12/15/27	510,000	483,021
		1,357,402

##### Hotels, Restaurants & Leisure—1.7%

1011778 B.C. ULC/New Red Finance, Inc.:		
4.25% Sr. Sec. Nts., 5/15/24 <sup>1</sup>	785,000	747,713
5.00% Sec. Nts., 10/15/25 <sup>1</sup>	1,335,000	1,269,852
Aramark Services, Inc.:		
4.75% Sr. Unsec. Nts., 6/1/26	745,000	721,719
5.00% Sr. Unsec. Nts., 2/1/28 <sup>1</sup>	815,000	780,362
Boyd Gaming Corp.:		
6.00% Sr. Unsec. Nts., 8/15/26 <sup>1</sup>	690,000	683,962
6.375% Sr. Unsec. Nts., 4/1/26	235,000	238,525
Caesars Resort Collection LLC/CRC		
Finco, Inc., 5.25% Sr. Unsec. Nts., 10/15/25 <sup>1</sup>	820,000	777,975
CEC Entertainment, Inc., 8.00% Sr. Unsec. Nts., 2/15/22	670,000	592,950
Downstream Development Authority of the Quapaw Tribe of Oklahoma, 10.50% Sr. Sec. Nts., 2/15/23 <sup>1</sup>	330,000	338,250
Eldorado Resorts, Inc., 6.00% Sr. Unsec. Nts., 4/1/25	540,000	543,375

	Principal Amount	Value
<b>Hotels, Restaurants &amp; Leisure (Continued)</b>		
Gateway Casinos & Entertainment Ltd., 8.25% Sec. Nts., 3/1/24 <sup>1</sup>	\$ 390,000	\$ 412,425
Golden Nugget, Inc.:		
6.75% Sr. Unsec. Nts., 10/15/24 <sup>1</sup>	1,770,000	1,774,744
8.75% Sr. Sub. Nts., 10/1/25 <sup>1</sup>	1,250,000	1,287,137
Hilton Domestic Operating Co., Inc.:		
4.25% Sr. Unsec. Nts., 9/1/24	425,000	405,344
5.125% Sr. Unsec. Nts., 5/1/26 <sup>1</sup>	550,000	543,125
Hilton Grand Vacations Borrower LLC/ Hilton Grand Vacations Borrower, Inc., 6.125% Sr. Unsec. Nts., 12/1/24	700,000	716,625
International Game Technology plc, 6.25% Sr. Sec. Nts., 2/15/22 <sup>1</sup>	1,130,000	1,163,900
IRB Holding Corp., 6.75% Sr. Unsec. Nts., 2/15/26 <sup>1</sup>	270,000	258,525
KFC Holding Co./Pizza Hut Holdings LLC/ Taco Bell of America LLC:		
4.75% Sr. Unsec. Nts., 6/1/27 <sup>1</sup>	435,000	412,162
5.25% Sr. Unsec. Nts., 6/1/26 <sup>1</sup>	995,000	982,562
Melco Resorts Finance Ltd., 4.875% Sr. Unsec. Nts., 6/6/25 <sup>1</sup>	1,330,000	1,259,779
MGM Growth Properties Operating Partnership LP/MGP Finance Co.-Issuer, Inc., 5.625% Sr. Unsec. Nts., 5/1/24	1,230,000	1,251,525
MGM Resorts International:		
5.75% Sr. Unsec. Nts., 6/15/25	780,000	782,925
6.00% Sr. Unsec. Nts., 3/15/23	855,000	882,788
6.625% Sr. Unsec. Nts., 12/15/21	405,000	427,275
Mohegan Gaming & Entertainment, 7.875% Sr. Unsec. Nts., 10/15/24 <sup>1</sup>	780,000	738,075
Penn National Gaming, Inc., 5.625% Sr. Unsec. Nts., 1/15/27 <sup>1</sup>	990,000	935,550
PF Chang's China Bistro, Inc., 10.25% Sr. Unsec. Nts., 6/30/20 <sup>1</sup>	735,000	665,175
Premier Cruises Ltd., 11.00% Sr. Unsec. Nts., 3/15/08 <sup>1,7</sup>	250,000	—
Scientific Games International, Inc.:		
5.00% Sr. Sec. Nts., 10/15/25 <sup>1</sup>	1,280,000	1,222,400
10.00% Sr. Unsec. Nts., 12/1/22	1,387,000	1,482,356
Silversea Cruise Finance Ltd., 7.25% Sr. Sec. Nts., 2/1/25 <sup>1</sup>	110,000	119,361
Six Flags Entertainment Corp., 4.875% Sr. Unsec. Nts., 7/31/24 <sup>1</sup>	500,000	487,100
Sugarhouse HSP Gaming Prop Mezz LP/ Sugarhouse HSP Gaming Finance Corp., 5.875% Sr. Sec. Nts., 5/15/25 <sup>1</sup>	550,000	518,375
Viking Cruises Ltd., 5.875% Sr. Unsec. Nts., 9/15/27 <sup>1</sup>	560,000	530,600
Wyndham Hotels & Resorts, Inc., 5.375% Sr. Unsec. Nts., 4/15/26 <sup>1</sup>	275,000	274,313
Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp.:		
5.25% Sr. Unsec. Nts., 5/15/27 <sup>1</sup>	390,000	365,138
5.50% Sr. Unsec. Nts., 3/1/25 <sup>1</sup>	275,000	270,875
Wynn Macau Ltd.:		
4.875% Sr. Unsec. Nts., 10/1/24 <sup>1</sup>	135,000	129,222
5.50% Sr. Unsec. Nts., 10/1/27 <sup>1</sup>	135,000	129,263
		27,123,327

##### Household Durables—0.8%

Arcelik AS, 5.00% Sr. Unsec. Nts., 4/3/23 <sup>1</sup>	495,000	468,275
AV Homes, Inc., 6.625% Sr. Unsec. Nts., 5/15/22	1,310,000	1,354,212
Beazer Homes USA, Inc.:		
5.875% Sr. Unsec. Nts., 10/15/27	935,000	819,079
6.75% Sr. Unsec. Nts., 3/15/25	1,680,000	1,612,800
7.25% Sr. Unsec. Nts., 2/1/23	43,000	44,182

**CONSOLIDATED STATEMENT OF INVESTMENTS** Unaudited / Continued

	Principal Amount	Value
<b>Household Durables (Continued)</b>		
KB Home, 7.625% Sr. Unsec. Nts., 5/15/23	\$ 670,000	\$ 721,925
Lennar Corp.:		
4.50% Sr. Unsec. Nts., 4/30/24	95,000	91,799
4.75% Sr. Unsec. Nts., 5/30/25	840,000	815,850
M/I Homes, Inc., 5.625% Sr. Unsec. Nts., 8/1/25	795,000	747,300
MDC Holdings, Inc., 6.00% Sr. Unsec. Nts., 1/15/43	800,000	700,320
Newell Brands, Inc., 5.00% Sr. Unsec. Nts., 11/15/23	311,000	318,025
PulteGroup, Inc.:		
5.00% Sr. Unsec. Nts., 1/15/27	525,000	500,719
5.50% Sr. Unsec. Nts., 3/1/26	740,000	735,375
Taylor Morrison Communities, Inc./Taylor Morrison Holdings II, Inc., 5.875% Sr. Unsec. Nts., 4/15/23 <sup>8</sup>	1,160,000	1,160,000
Toll Brothers Finance Corp.:		
4.375% Sr. Unsec. Nts., 4/15/23	180,000	177,075
4.875% Sr. Unsec. Nts., 3/15/27	375,000	351,563
William Lyon Homes, Inc.:		
5.875% Sr. Unsec. Nts., 1/31/25	1,020,000	967,725
6.00% Sr. Unsec. Nts., 9/1/23 <sup>1</sup>	550,000	545,716
		12,131,940
<b>Internet &amp; Catalog Retail—0.1%</b>		
Netflix, Inc., 5.875% Sr. Unsec. Nts., 11/15/28 <sup>1</sup>	275,000	279,042
QVC, Inc., 4.45% Sr. Sec. Nts., 2/15/25	1,199,000	1,160,112
		1,439,154
<b>Media—2.3%</b>		
Altice Financing SA:		
6.625% Sr. Sec. Nts., 2/15/23 <sup>1</sup>	205,000	202,540
7.50% Sr. Sec. Nts., 5/15/26 <sup>1</sup>	480,000	465,456
Altice Finco SA, 8.125% Sec. Nts., 1/15/24 <sup>1</sup>	695,000	695,000
Altice France SA:		
6.00% Sr. Sec. Nts., 5/15/22 <sup>1</sup>	390,000	392,925
7.375% Sr. Sec. Nts., 5/1/26 <sup>1</sup>	580,000	569,241
Altice Luxembourg SA, 7.75% Sr. Unsec. Nts., 5/15/22 <sup>1</sup>	205,000	199,106
Altice US Finance I Corp., 5.50% Sr. Sec. Nts., 5/15/26 <sup>1</sup>	205,000	198,337
AMC Entertainment Holdings, Inc.:		
5.75% Sr. Sub. Nts., 6/15/25	705,000	693,544
5.875% Sr. Sub. Nts., 11/15/26	760,000	733,400
6.125% Sr. Sub. Nts., 5/15/27	520,000	507,000
AMC Networks, Inc.:		
4.75% Sr. Unsec. Nts., 8/1/25	530,000	510,793
5.00% Sr. Unsec. Nts., 4/1/24	275,000	271,562
Belo Corp., 7.75% Sr. Unsec. Nts., 6/1/27	1,362,000	1,443,720
Block Communications, Inc., 6.875% Sr. Unsec. Nts., 2/15/25 <sup>1</sup>	460,000	461,150
CCO Holdings LLC/CCO Holdings Capital Corp.:		
4.00% Sr. Unsec. Nts., 3/1/23 <sup>1</sup>	265,000	249,762
5.00% Sr. Unsec. Nts., 2/1/28 <sup>1</sup>	840,000	772,800
5.125% Sr. Unsec. Nts., 5/1/27 <sup>1</sup>	1,040,000	973,700
5.375% Sr. Unsec. Nts., 5/1/25 <sup>1</sup>	205,000	198,850
5.75% Sr. Unsec. Nts., 2/15/26 <sup>1</sup>	1,315,000	1,295,275
5.875% Sr. Unsec. Nts., 4/1/24 <sup>1</sup>	325,000	327,437
5.875% Sr. Unsec. Nts., 5/1/27 <sup>1</sup>	205,000	200,644
Cinemark USA, Inc., 4.875% Sr. Unsec. Nts., 6/1/23	495,000	487,513
Clear Channel International BV, 8.75% Sr. Unsec. Nts., 12/15/20 <sup>1</sup>	265,000	275,269

	Principal Amount	Value
<b>Media (Continued)</b>		
Clear Channel Worldwide Holdings, Inc.:		
6.50% Sr. Unsec. Nts., Series B, 11/15/22	\$ 1,465,000	\$ 1,501,625
7.625% Sr. Sub. Nts., Series B, 3/15/20	1,505,000	1,501,674
CSC Holdings LLC:		
5.25% Sr. Unsec. Nts., 6/1/24	715,000	677,462
5.50% Sr. Unsec. Nts., 4/15/27 <sup>1</sup>	750,000	718,125
10.875% Sr. Unsec. Nts., 10/15/25 <sup>1</sup>	722,000	834,127
DISH DBS Corp.:		
5.875% Sr. Unsec. Nts., 11/15/24	2,280,000	1,938,000
7.75% Sr. Unsec. Nts., 7/1/26	250,000	220,000
Gray Television, Inc.:		
5.125% Sr. Unsec. Nts., 10/15/24 <sup>1</sup>	760,000	727,700
5.875% Sr. Unsec. Nts., 7/15/26 <sup>1</sup>	1,770,000	1,688,138
iHeartCommunications, Inc., 9.00% Sr. Sec. Nts., 12/15/19	1,455,000	1,109,437
Lions Gate Capital Holdings LLC, 5.875% Sr. Unsec. Nts., 11/1/24 <sup>1</sup>	1,215,000	1,235,886
Live Nation Entertainment, Inc., 5.625% Sr. Unsec. Nts., 3/15/26 <sup>1</sup>	550,000	547,250
MDC Partners, Inc., 6.50% Sr. Unsec. Nts., 5/1/24 <sup>1</sup>	255,000	222,488
Meredith Corp., 6.875% Sr. Unsec. Nts., 2/1/26 <sup>1</sup>	250,000	247,188
Nexstar Broadcasting, Inc., 5.625% Sr. Unsec. Nts., 8/1/24 <sup>1</sup>	1,095,000	1,058,044
Salem Media Group, Inc., 6.75% Sr. Sec. Nts., 6/1/24 <sup>1</sup>	775,000	707,188
Sinclair Television Group, Inc., 5.625% Sr. Unsec. Nts., 8/1/24 <sup>1</sup>	995,000	990,025
Sirius XM Radio, Inc., 5.375% Sr. Unsec. Nts., 7/15/26 <sup>1</sup>	665,000	641,725
TEGNA, Inc., 5.50% Sr. Unsec. Nts., 9/15/24 <sup>1</sup>	650,000	652,437
Time Warner Cable LLC, 4.50% Sr. Unsec. Unsub. Nts., 9/15/42	648,000	533,863
Townsquare Media, Inc., 6.50% Sr. Unsec. Nts., 4/1/23 <sup>1</sup>	265,000	239,494
Tribune Media Co., 5.875% Sr. Unsec. Nts., 7/15/22	725,000	735,331
Univision Communications, Inc.:		
5.125% Sr. Sec. Nts., 5/15/23 <sup>1</sup>	245,000	235,812
5.125% Sr. Sec. Nts., 2/15/25 <sup>1</sup>	1,730,000	1,602,413
UPCB Finance IV Ltd., 5.375% Sr. Sec. Nts., 1/15/25 <sup>1</sup>	135,000	128,939
Virgin Media Secured Finance plc:		
5.25% Sr. Sec. Nts., 1/15/26 <sup>1</sup>	876,000	813,585
5.50% Sr. Sec. Nts., 8/15/26 <sup>1</sup>	705,000	661,713
Ziggo BV, 5.50% Sr. Sec. Nts., 1/15/27 <sup>1</sup>	1,590,000	1,489,194
		35,783,887
<b>Multiline Retail—0.1%</b>		
JC Penney Corp., Inc.:		
5.875% Sr. Sec. Nts., 7/1/23 <sup>1</sup>	525,000	494,156
7.40% Sr. Unsec. Nts., 4/1/37	270,000	157,950
8.625% Sec. Nts., 3/15/25 <sup>1</sup>	580,000	493,000
Neiman Marcus Group Ltd. LLC, 8.00% Sr. Unsec. Nts., 10/15/21 <sup>1</sup>	140,000	93,275
		1,238,381
<b>Specialty Retail—0.6%</b>		
Claire's Stores, Inc., 9.00% Sr. Sec. Nts., 3/15/19 <sup>1,7</sup>	405,000	257,175
Freedom Mortgage Corp.:		
8.125% Sr. Unsec. Nts., 11/15/24 <sup>1</sup>	400,000	389,000
8.25% Sr. Unsec. Nts., 4/15/25 <sup>1</sup>	825,000	814,687
GameStop Corp.:		
5.50% Sr. Unsec. Nts., 10/1/19 <sup>1</sup>	685,000	689,281
6.75% Sr. Unsec. Nts., 3/15/21 <sup>1</sup>	1,425,000	1,449,938

	Principal Amount	Value
<b>Specialty Retail (Continued)</b>		
L Brands, Inc.:		
5.25% Sr. Unsec. Nts., 2/1/28	\$ 270,000	\$ 240,300
5.625% Sr. Unsec. Nts., 2/15/22	867,000	884,340
6.875% Sr. Unsec. Nts., 11/1/35	2,060,000	1,843,700
Lithia Motors, Inc., 5.25% Sr. Unsec. Nts., 8/1/25 <sup>1</sup>	530,000	518,075
PetSmart, Inc., 5.875% Sr. Sec. Nts., 6/1/25 <sup>1</sup>	415,000	320,588
Sally Holdings LLC/Sally Capital, Inc., 5.625% Sr. Unsec. Nts., 12/1/25	475,000	440,563
Signet UK Finance plc, 4.70% Sr. Unsec. Nts., 6/15/24	927,000	871,816
Sonic Automotive, Inc., 6.125% Sr. Sub. Nts., 3/15/27	650,000	617,500
		9,336,963
<b>Textiles, Apparel &amp; Luxury Goods—0.0%</b>		
Hanesbrands, Inc.:		
4.625% Sr. Unsec. Nts., 5/15/24 <sup>1</sup>	380,000	372,400
4.875% Sr. Unsec. Nts., 5/15/26 <sup>1</sup>	495,000	480,150
		852,550
<b>Consumer Staples—1.2%</b>		
<b>Beverages—0.0%</b>		
Coca-Cola Icecek AS, 4.215% Sr. Unsec. Nts., 9/19/24 <sup>1</sup>	495,000	463,556
<b>Food &amp; Staples Retailing—0.5%</b>		
Albertsons Cos, Inc., 6.085% [US0003M+375] Sr. Sec. Nts., 1/15/24 <sup>1,2</sup>	825,000	829,125
Albertsons Cos. LLC/Safeway, Inc./New Albertson's, Inc./Albertson's LLC, 6.625% Sr. Unsec. Nts., 6/15/24	745,000	705,888
Fresh Market, Inc. (The), 9.75% Sr. Sec. Nts., 5/1/23 <sup>1</sup>	820,000	524,800
Ingles Markets, Inc., 5.75% Sr. Unsec. Nts., 6/15/23	688,000	681,120
New Albertsons LP, 7.45% Sr. Unsec. Nts., 8/1/29	740,000	603,100
Performance Food Group, Inc., 5.50% Sr. Unsec. Nts., 6/1/24 <sup>1</sup>	495,000	490,050
Rite Aid Corp., 6.125% Sr. Unsec. Nts., 4/1/23 <sup>1</sup>	1,345,000	1,365,511
Simmons Foods, Inc., 5.75% Sec. Nts., 11/1/24 <sup>1</sup>	1,870,000	1,631,575
SUPERVALU, Inc., 7.75% Sr. Unsec. Nts., 11/15/22	630,000	650,475
		7,481,644
<b>Food Products—0.6%</b>		
Adecoagro SA, 6.00% Sr. Unsec. Nts., 9/21/27 <sup>1</sup>	210,000	174,268
B&G Foods, Inc., 5.25% Sr. Unsec. Nts., 4/1/25	260,000	245,700
BRF SA, 3.95% Sr. Unsec. Nts., 5/22/23 <sup>1</sup>	495,000	435,352
Bunge Ltd. Finance Corp., 3.25% Sr. Unsec. Nts., 8/15/26	590,000	539,260
Dean Foods Co., 6.50% Sr. Unsec. Nts., 3/15/23 <sup>1</sup>	1,250,000	1,210,937
JBS USA LUX SA/JBS USA Finance, Inc.:		
5.75% Sr. Unsec. Nts., 6/15/25 <sup>1</sup>	1,315,000	1,229,525
6.75% Sr. Unsec. Nts., 2/15/28 <sup>1</sup>	1,360,000	1,286,492
MHP Lux SA, 6.95% Sr. Unsec. Nts., 4/3/26 <sup>1</sup>	535,000	502,079
Minerva Luxembourg SA, 6.50% Sr. Unsec. Nts., 9/20/26 <sup>1</sup>	500,000	460,000
Pilgrim's Pride Corp.:		
5.75% Sr. Unsec. Nts., 3/15/25 <sup>1</sup>	860,000	827,750
5.875% Sr. Unsec. Nts., 9/30/27 <sup>1</sup>	265,000	246,450
Post Holdings, Inc.:		
5.00% Sr. Unsec. Nts., 8/15/26 <sup>1</sup>	325,000	303,875

	Principal Amount	Value
<b>Food Products (Continued)</b>		
Post Holdings, Inc.: (Continued)		
5.75% Sr. Unsec. Nts., 3/1/27 <sup>1</sup>	\$ 795,000	\$ 769,163
TreeHouse Foods, Inc., 6.00% Sr. Unsec. Nts., 2/15/24 <sup>1</sup>	565,000	579,973
		8,810,824
<b>Household Products—0.0%</b>		
Kronos Acquisition Holdings, Inc., 9.00% Sr. Unsec. Nts., 8/15/23 <sup>1</sup>	645,000	582,113
Spectrum Brands, Inc., 6.125% Sr. Unsec. Nts., 12/15/24	280,000	284,200
		866,313
<b>Personal Products—0.1%</b>		
Avon International Operations, Inc., 7.875% Sr. Sec. Nts., 8/15/22 <sup>1</sup>	1,045,000	1,041,029
<b>Energy—7.5%</b>		
<b>Energy Equipment &amp; Services—1.0%</b>		
Bristow Group, Inc.:		
6.25% Sr. Unsec. Nts., 10/15/22	135,000	105,637
8.75% Sr. Sec. Nts., 3/1/23 <sup>1</sup>	455,000	445,900
Calfrac Holdings LP, 8.50% Sr. Unsec. Nts., 6/15/26 <sup>1</sup>	830,000	835,187
CGG Holding US, Inc., 9.00% Sr. Sec. Nts., 5/1/23 <sup>1</sup>	140,000	145,075
Ensco plc:		
5.20% Sr. Unsec. Nts., 3/15/25	685,000	571,119
7.75% Sr. Unsec. Nts., 2/1/26	135,000	128,041
Eterna Capital Pte Ltd.:		
7.50% Sr. Sec. Nts., 12/11/22 <sup>9</sup>	1,025,000	1,017,225
8.00% Sr. Sec. Nts., 12/11/22 <sup>9</sup>	2,122,866	2,037,130
Exterran Energy Solutions LP/EES Finance Corp., 8.125% Sr. Unsec. Nts., 5/1/25	260,000	274,950
KCA Deutag UK Finance plc, 7.25% Sr. Sec. Nts., 5/15/21 <sup>1</sup>	200,000	194,500
McDermott Technology Americas, Inc./McDermott Technology US, Inc., 10.625% Sr. Unsec. Nts., 5/1/24 <sup>1</sup>	415,000	433,675
Nabors Industries, Inc., 5.75% Sr. Unsec. Nts., 2/1/25 <sup>1</sup>	480,000	454,800
Noble Holding International Ltd., 7.875% Sr. Unsec. Nts., 2/1/26 <sup>1</sup>	540,000	556,875
Parker Drilling Co.:		
6.75% Sr. Unsec. Nts., 7/15/22	685,000	503,475
7.50% Sr. Unsec. Nts., 8/1/20	140,000	117,600
Pioneer Energy Services Corp., 6.125% Sr. Unsec. Nts., 3/15/22	1,655,000	1,580,525
Precision Drilling Corp., 7.125% Sr. Unsec. Nts., 1/15/26 <sup>1</sup>	330,000	339,735
Rowan Cos., Inc., 7.375% Sr. Unsec. Nts., 6/15/25	610,000	593,225
SESI LLC, 7.75% Sr. Unsec. Nts., 9/15/24	435,000	448,594
Shelf Drilling Holdings Ltd., 8.25% Sr. Unsec. Nts., 2/15/25 <sup>1</sup>	270,000	273,037
Tervita Escrow Corp., 7.625% Sr. Sec. Nts., 12/1/21 <sup>1</sup>	275,000	281,875
Transocean, Inc.:		
7.50% Sr. Unsec. Nts., 1/15/26 <sup>1</sup>	265,000	269,803
9.00% Sr. Unsec. Nts., 7/15/23 <sup>1</sup>	1,105,000	1,193,400
Trinidad Drilling Ltd., 6.625% Sr. Unsec. Nts., 2/15/25 <sup>1</sup>	385,000	372,487
Unit Corp., 6.625% Sr. Sub. Nts., 5/15/21	135,000	135,338
Weatherford International Ltd., 9.875% Sr. Unsec. Nts., 2/15/24	1,382,000	1,402,288
		14,711,496

**CONSOLIDATED STATEMENT OF INVESTMENTS** Unaudited / Continued

	Principal Amount	Value
<b>Oil, Gas &amp; Consumable Fuels—6.5%</b>		
Alta Mesa Holdings LP/Alta Mesa Finance Services Corp., 7.875% Sr. Unsec. Nts., 12/15/24	\$ 265,000	\$ 282,225
Anadarko Petroleum Corp., 4.50% Sr. Unsec. Nts., 7/15/44	213,000	198,939
Andeavor Logistics LP/Tesoro Logistics Finance Corp., 5.25% Sr. Unsec. Nts., 1/15/25	324,000	332,466
Ardagh Packaging Finance plc/Ardagh Holdings USA, Inc., 6.00% Sr. Unsec. Nts., 2/15/25 <sup>1</sup>	1,150,000	1,122,687
Ascent Resources Utica Holdings LLC/ ARU Finance Corp., 10.00% Sr. Unsec. Nts., 4/1/22 <sup>1</sup>	425,000	469,625
Baytex Energy Corp., 5.625% Sr. Unsec. Nts., 6/1/24 <sup>1</sup>	875,000	824,687
Berry Petroleum Co. LLC, 7.00% Sr. Unsec. Nts., 2/15/26 <sup>1</sup>	135,000	138,375
Blue Racer Midstream LLC/Blue Racer Finance Corp., 6.625% Sr. Unsec. Nts., 7/15/26 <sup>1</sup>	550,000	545,710
California Resources Corp., 8.00% Sec. Nts., 12/15/22 <sup>1</sup>	658,000	600,425
Calumet Specialty Products Partners LP/ Calumet Finance Corp.: 6.50% Sr. Unsec. Nts., 4/15/21	415,000	415,000
7.625% Sr. Unsec. Nts., 1/15/22	1,075,000	1,080,375
Centennial Resource Production LLC, 5.375% Sr. Unsec. Nts., 1/15/26 <sup>1</sup>	430,000	419,250
Cheniere Corpus Christi Holdings LLC: 5.125% Sr. Sec. Nts., 6/30/27	525,000	522,375
7.00% Sr. Sec. Nts., 6/30/24	940,000	1,028,125
Chesapeake Energy Corp.: 6.125% Sr. Unsec. Nts., 2/15/21	493,000	501,627
8.00% Sec. Nts., 12/15/22 <sup>1</sup>	249,000	262,309
8.00% Sr. Unsec. Nts., 1/15/25	265,000	270,552
8.00% Sr. Unsec. Nts., 6/15/27	550,000	561,000
Citadel LP, 5.375% Sr. Unsec. Nts., 1/17/23 <sup>1</sup>	280,000	278,983
CITGO Petroleum Corp., 6.25% Sr. Sec. Nts., 8/15/22 <sup>1</sup>	70,000	70,021
Cloud Peak Energy Resources LLC/Cloud Peak Energy Finance Corp., 12.00% Sec. Nts., 11/1/21	680,000	705,500
CNX Resources Corp.: 5.875% Sr. Unsec. Nts., 4/15/22	195,000	196,500
8.00% Sr. Unsec. Nts., 4/1/23	165,000	175,469
Crestwood Midstream Partners LP/ Crestwood Midstream Finance Corp., 5.75% Sr. Unsec. Nts., 4/1/25	265,000	265,662
CrownRock LP/CrownRock Finance, Inc., 5.625% Sr. Unsec. Nts., 10/15/25 <sup>1</sup>	1,080,000	1,044,900
CVR Refining LLC/Coffeyville Finance, Inc., 6.50% Sr. Unsec. Nts., 11/1/22	1,155,000	1,183,875
DCP Midstream Operating LP, 2.70% Sr. Unsec. Nts., 4/1/19	345,000	342,412
Denbury Resources, Inc.: 9.00% Sec. Nts., 5/15/21 <sup>1</sup>	555,000	589,521
9.25% Sec. Nts., 3/31/22 <sup>1</sup>	611,000	649,187
Endeavor Energy Resources LP/EER Finance, Inc.: 5.50% Sr. Unsec. Nts., 1/30/26 <sup>1</sup>	340,000	330,650
5.75% Sr. Unsec. Nts., 1/30/28 <sup>1</sup>	275,000	269,156
Energy Transfer Equity LP, 5.875% Sr. Sec. Nts., 1/15/24	565,000	580,537
Energy Transfer Partners LP, 6.625% [US0003M+415.5] Jr. Sub. Perpetual Bonds <sup>2,10</sup>	684,000	625,432

	Principal Amount	Value
<b>Oil, Gas &amp; Consumable Fuels (Continued)</b>		
Enviva Partners LP/Enviva Partners Finance Corp., 8.50% Sr. Unsec. Nts., 11/1/21	\$ 1,090,000	\$ 1,137,687
EP Energy LLC/Everest Acquisition Finance, Inc.: 7.75% Sr. Sec. Nts., 5/15/26 <sup>1</sup>	415,000	425,375
8.00% Sr. Sec. Nts., 11/29/24 <sup>1</sup>	275,000	279,125
8.00% Sec. Nts., 2/15/25 <sup>1</sup>	1,692,000	1,319,760
9.375% Sec. Nts., 5/1/24 <sup>1</sup>	1,572,000	1,296,900
Extraction Oil & Gas, Inc., 7.375% Sr. Unsec. Nts., 5/15/24 <sup>1</sup>	265,000	278,912
Foresight Energy LLC/Foresight Energy Finance Corp., 11.50% Sec. Nts., 4/1/23 <sup>1</sup>	690,000	614,100
Frontera Energy Corp., 9.70% Sr. Unsec. Nts., 6/25/23 <sup>1</sup>	470,000	467,650
Genesis Energy LP/Genesis Energy Finance Corp.: 6.00% Sr. Unsec. Nts., 5/15/23	725,000	715,031
6.25% Sr. Unsec. Nts., 5/15/26	1,095,000	1,034,775
6.50% Sr. Unsec. Nts., 10/1/25	795,000	767,175
Gulfport Energy Corp.: 6.00% Sr. Unsec. Nts., 10/15/24	275,000	266,062
6.375% Sr. Unsec. Nts., 5/15/25	275,000	268,469
Halcon Resources Corp., 6.75% Sr. Unsec. Nts., 2/15/25	530,000	498,200
Hess Infrastructure Partners LP/Hess Infrastructure Partners Finance Corp., 5.625% Sr. Unsec. Nts., 2/15/26 <sup>1</sup>	275,000	275,687
HighPoint Operating Corp., 8.75% Sr. Unsec. Nts., 6/15/25	188,000	202,100
Hilcorp Energy I LP/Hilcorp Finance Co., 5.75% Sr. Unsec. Nts., 10/1/25 <sup>1</sup>	165,000	165,412
Holly Energy Partners LP/Holly Energy Finance Corp., 6.00% Sr. Unsec. Nts., 8/1/24 <sup>1</sup>	265,000	268,975
Indigo Natural Resources LLC, 6.875% Sr. Unsec. Nts., 2/15/26 <sup>1</sup>	815,000	792,588
Indika Energy Capital III Pte Ltd., 5.875% Sr. Sec. Nts., 11/9/24 <sup>1</sup>	760,000	678,243
Jones Energy Holdings LLC/Jones Energy Finance Corp.: 6.75% Sr. Unsec. Nts., 4/1/22	818,000	511,250
9.25% Sr. Sec. Nts., 3/15/23 <sup>1</sup>	410,000	412,050
KazMunayGas National Co. JSC: 4.75% Sr. Unsec. Nts., 4/24/25 <sup>1</sup>	3,305,000	3,314,089
4.75% Sr. Unsec. Nts., 4/19/27 <sup>1</sup>	5,650,000	5,530,288
5.375% Sr. Unsec. Nts., 4/24/30 <sup>1</sup>	1,990,000	2,001,224
6.375% Sr. Unsec. Nts., 10/24/48 <sup>1</sup>	4,040,000	4,089,995
KazTransGas JSC, 4.375% Sr. Unsec. Nts., 9/26/27 <sup>1</sup>	1,255,000	1,170,288
Laredo Petroleum, Inc., 6.25% Sr. Unsec. Nts., 3/15/23	165,000	166,031
LBC Tank Terminals Holding Netherlands BV, 6.875% Sr. Unsec. Nts., 5/15/23 <sup>8</sup>	475,000	482,125
Medco Platinum Road Pte Ltd., 6.75% Sr. Sec. Nts., 1/30/25 <sup>1</sup>	2,225,000	1,962,225
MEG Energy Corp.: 6.50% Sec. Nts., 1/15/25 <sup>1</sup>	520,000	520,650
7.00% Sr. Unsec. Nts., 3/31/24 <sup>1</sup>	615,000	577,331
Moss Creek Resources Holdings, Inc., 7.50% Sr. Unsec. Nts., 1/15/26 <sup>1</sup>	575,000	564,023
Murphy Oil Corp., 6.875% Sr. Unsec. Nts., 8/15/24	390,000	410,475
Murray Energy Corp., 12.00% Sec. Nts., 4/15/24	2,397,000	2,025,465
Newfield Exploration Co., 5.625% Sr. Unsec. Nts., 7/1/24	290,000	307,038

	Principal Amount	Value
<b>Oil, Gas &amp; Consumable Fuels (Continued)</b>		
NGL Energy Partners LP/NGL Energy Finance Corp.:		
6.125% Sr. Unsec. Nts., 3/1/25	\$ 1,295,000	\$ 1,230,250
7.50% Sr. Unsec. Nts., 11/1/23	735,000	745,106
NuStar Logistics LP, 5.625% Sr. Unsec. Nts., 4/28/27	330,000	320,513
Oasis Petroleum, Inc.:		
6.25% Sr. Unsec. Nts., 5/1/26 <sup>1</sup>	275,000	278,094
6.875% Sr. Unsec. Nts., 1/15/23	355,000	361,656
Parkland Fuel Corp., 6.00% Sr. Unsec. Nts., 4/1/26 <sup>1</sup>	275,000	271,563
Parsley Energy LLC/Parsley Finance Corp., 5.625% Sr. Unsec. Nts., 10/15/27 <sup>1</sup>	400,000	398,000
PBF Holding Co. LLC/PBF Finance Corp.:		
7.00% Sr. Sec. Nts., 11/15/23	635,000	660,400
7.25% Sr. Unsec. Nts., 6/15/25	595,000	626,981
PBF Logistics LP/PBF Logistics Finance Corp., 6.875% Sr. Unsec. Nts., 5/15/23	430,000	435,913
PDC Energy, Inc., 5.75% Sr. Unsec. Nts., 5/15/26 <sup>1</sup>	535,000	535,669
Peabody Energy Corp.:		
6.00% Sr. Sec. Nts., 11/15/18 <sup>7,11,13</sup>	1,110,000	1
6.375% Sr. Sec. Nts., 3/31/25 <sup>1</sup>	275,000	283,594
10.00% Sr. Sec. Nts., 3/15/22 <sup>7,11,13</sup>	2,075,000	2
Petrobras Global Finance BV:		
5.299% Sr. Unsec. Nts., 1/27/25 <sup>1</sup>	1,575,000	1,457,269
5.75% Sr. Unsec. Nts., 2/1/29	990,000	871,824
5.999% Sr. Unsec. Nts., 1/27/28 <sup>1</sup>	1,407,000	1,275,797
7.25% Sr. Unsec. Nts., 3/17/44	495,000	459,731
7.375% Sr. Unsec. Nts., 1/17/27	5,530,000	5,536,913
Petroleos Mexicanos:		
3.75% Sr. Unsec. Nts., 2/21/24	EUR 505,000	599,517
3.75% Sr. Unsec. Nts., 4/16/26	EUR 1,045,000	1,201,417
5.35% Sr. Unsec. Nts., 2/12/28 <sup>1</sup>	8,340,000	7,914,660
6.50% Sr. Unsec. Nts., 3/13/27	730,000	747,703
6.75% Sr. Unsec. Nts., 9/21/47	790,000	752,870
Puma International Financing SA, 5.00% Sr. Unsec. Nts., 1/24/26 <sup>1</sup>	1,170,000	1,076,638
QEP Resources, Inc., 5.625% Sr. Unsec. Nts., 3/1/26	665,000	637,569
Reliance Industries Ltd., 7.00% Unsec. Nts., 8/31/22	INR 210,000,000	2,928,540
Repsol International Finance BV, 4.50% [EUSA10+420] Jr. Sub. Nts., 3/25/75 <sup>2</sup>	EUR 1,410,000	1,723,945
Resolute Energy Corp., 8.50% Sr. Unsec. Nts., 5/1/20	2,150,000	2,150,000
Saka Energi Indonesia PT, 4.45% Sr. Unsec. Nts., 5/5/24 <sup>1</sup>	650,000	609,738
Sanchez Energy Corp.:		
6.125% Sr. Unsec. Nts., 1/15/23	1,600,000	1,092,000
7.25% Sr. Sec. Nts., 2/15/23 <sup>1</sup>	275,000	273,281
7.75% Sr. Unsec. Nts., 6/15/21	405,000	347,288
SemGroup Corp./Rose Rock Finance Corp.:		
5.625% Sr. Unsec. Nts., 7/15/22	165,000	160,875
5.625% Sr. Unsec. Nts., 11/15/23	545,000	516,388
SM Energy Co., 6.75% Sr. Unsec. Nts., 9/15/26	170,000	171,275
Southwestern Energy Co.:		
6.70% Sr. Unsec. Nts., 1/23/25	205,000	201,413
7.50% Sr. Unsec. Nts., 4/1/26	265,000	275,600
SRC Energy, Inc., 6.25% Sr. Unsec. Nts., 12/1/25 <sup>1</sup>	305,000	306,144
Summit Midstream Holdings LLC/Summit Midstream Finance Corp., 5.75% Sr. Unsec. Nts., 4/15/25	780,000	744,900
Sunoco Logistics Partners Operations LP, 4.00% Sr. Unsec. Nts., 10/1/27	516,000	482,928

	Principal Amount	Value
<b>Oil, Gas &amp; Consumable Fuels (Continued)</b>		
Sunoco LP/Sunoco Finance Corp.:		
4.875% Sr. Unsec. Nts., 1/15/23 <sup>1</sup>	\$ 335,000	\$ 322,438
5.50% Sr. Unsec. Nts., 2/15/26 <sup>1</sup>	180,000	171,000
5.875% Sr. Unsec. Nts., 3/15/28 <sup>1</sup>	404,000	381,913
Tallgrass Energy Partners LP/Tallgrass Energy Finance Corp.:		
5.50% Sr. Unsec. Nts., 9/15/24 <sup>1</sup>	555,000	568,875
5.50% Sr. Unsec. Nts., 1/15/28 <sup>1</sup>	880,000	871,200
Targa Resources Partners LP/Targa Resources Partners Finance Corp.:		
5.00% Sr. Unsec. Nts., 1/15/28 <sup>1</sup>	800,000	746,000
5.875% Sr. Unsec. Nts., 4/15/26 <sup>1</sup>	550,000	554,813
Topaz Marine SA, 9.125% Sr. Unsec. Nts., 7/26/22 <sup>1</sup>	530,000	537,160
TransMontaigne Partners LP/TLP Finance Corp., 6.125% Sr. Unsec. Nts., 2/15/26	135,000	137,025
Transportadora de Gas del Sur SA, 6.75% Sr. Unsec. Nts., 5/2/25 <sup>1</sup>	475,000	437,000
Ultra Resources, Inc.:		
6.875% Sr. Unsec. Nts., 4/15/22 <sup>1</sup>	390,000	297,375
7.125% Sr. Unsec. Nts., 4/15/25 <sup>1</sup>	520,000	367,900
USA Compression Partners LP/USA Compression Finance Corp., 6.875% Sr. Unsec. Nts., 4/1/26 <sup>1</sup>	415,000	431,081
Whiting Petroleum Corp., 6.625% Sr. Unsec. Nts., 1/15/26 <sup>1</sup>	550,000	567,875
WildHorse Resource Development Corp., 6.875% Sr. Unsec. Nts., 2/1/25 <sup>1</sup>	275,000	281,875
WPX Energy, Inc.:		
5.75% Sr. Unsec. Nts., 6/1/26	275,000	276,031
8.25% Sr. Unsec. Nts., 8/1/23	415,000	472,063
YPF SA, 8.50% Sr. Unsec. Nts., 7/28/25 <sup>1</sup>	1,000,000	955,950
		101,721,869
<b>Financials—10.0%</b>		
<b>Capital Markets—1.3%</b>		
Charles Schwab Corp. (The), 5.00% [US0003M+257.5] Jr. Sub. Perpetual Bonds <sup>2,10</sup>	1,343,000	1,287,601
Credit Suisse Group AG:		
7.125% [US\$W5+510.8] Jr. Sub. Perpetual Bonds <sup>2,10</sup>	1,260,000	1,284,570
7.50% [US\$W5+459.8] Jr. Sub. Perpetual Bonds <sup>2,10</sup>	2,825,000	2,923,607
Diamond Resorts International, Inc.:		
7.75% Sr. Sec. Nts., 9/1/23 <sup>1</sup>	265,000	276,925
10.75% Sr. Unsec. Nts., 9/1/24 <sup>8</sup>	590,000	635,548
E*TRADE Financial Corp., 5.875% [US0003M+443.5] Jr. Sub. Perpetual Bonds <sup>2,10</sup>	1,258,000	1,283,160
Flex Acquisition Co., Inc., 6.875% Sr. Unsec. Nts., 1/15/25 <sup>1</sup>	1,530,000	1,480,275
Goldman Sachs Group, Inc. (The):		
3.814% [US0003M+115.8] Sr. Unsec. Nts., 4/23/29 <sup>2</sup>	749,000	712,407
5.00% [US0003M+287.4] Jr. Sub. Perpetual Bonds <sup>2,10</sup>	681,000	640,549
5.375% [US0003M+392.2] Jr. Sub. Perpetual Bonds <sup>2,10</sup>	645,000	655,481
Icahn Enterprises LP/Icahn Enterprises Finance Corp., 6.375% Sr. Unsec. Nts., 12/15/25	545,000	547,044
Koks OAO Via Koks Finance DAC, 7.50% Sr. Unsec. Nts., 5/4/22 <sup>1</sup>	705,000	704,801
Macquarie Bank Ltd. (London), 6.125% [US\$W5+370.3] Jr. Sub. Perpetual Bonds <sup>1,2,10</sup>	1,268,000	1,141,200
MSCI, Inc., 5.375% Sr. Unsec. Nts., 5/15/27 <sup>1</sup>	275,000	275,687

**CONSOLIDATED STATEMENT OF INVESTMENTS** Unaudited / Continued

	Principal Amount	Value
<b>Capital Markets (Continued)</b>		
Pisces Midco, Inc., 8.00% Sec. Nts., 4/15/26 <sup>1</sup>	\$ 135,000	\$ 130,518
Prime Security Services Borrower LLC/ Prime Finance, Inc., 9.25% Sec. Nts., 5/15/23 <sup>1</sup>	867,000	927,690
Rivers Pittsburgh Borrower LP/Rivers Pittsburgh Finance Corp., 6.125% Sr. Sec. Nts., 8/15/21 <sup>1</sup>	375,000	372,187
Staples, Inc., 8.50% Sr. Unsec. Nts., 9/15/25 <sup>1</sup>	1,860,000	1,739,100
Tempo Acquisition LLC/Tempo Acquisition Finance Corp., 6.75% Sr. Unsec. Nts., 6/1/25 <sup>1</sup>	805,000	774,813
TerraForm Power Operating LLC: 4.25% Sr. Unsec. Nts., 1/31/23 <sup>1</sup>	670,000	648,225
5.00% Sr. Unsec. Nts., 1/31/28 <sup>1</sup>	195,000	185,494
Trident Merger Sub, Inc., 6.625% Sr. Unsec. Nts., 11/1/25 <sup>1</sup>	805,000	786,888
UBS Group Funding Switzerland AG, 7.125% [USSW5+588.3] Jr. Sub. Perpetual Bonds <sup>2,10</sup>	1,220,000	1,259,679
		20,673,449
<b>Commercial Banks—4.7%</b>		
Astana Finance JSC, 9.16% Sr. Unsec. Nts., 3/14/12 <sup>7,13</sup>	315,159	—
Australia & New Zealand Banking Group Ltd. (United Kingdom), 6.75% [USISDA05+516.8] Jr. Sub. Perpetual Bonds <sup>1,2,10</sup>	105,000	106,969
Banca Monte dei Paschi di Siena SpA, 5.375% [EUSA5+500.5] Sub. Nts., 1/18/28 <sup>2</sup>	EUR 2,825,000	2,694,338
Banco Bilbao Vizcaya Argentaria SA: 6.125% [USSW5+387] Jr. Sub. Perpetual Bonds <sup>2,10</sup>	1,290,000	1,141,650
8.875% [EUSA5+917.7] Jr. Sub. Perpetual Bonds <sup>2,10</sup>	EUR 1,410,000	1,848,372
Banco do Brasil SA (Cayman): 3.875% Sr. Unsec. Nts., 10/10/22	4,685,000	4,386,331
4.875% Sr. Unsec. Nts., 4/19/23 <sup>1</sup>	2,870,000	2,750,895
Banco Mercantil del Norte SA (Grand Cayman): 6.875% [H15T5Y+503.5] Jr. Sub. Perpetual Bonds <sup>1,2,10</sup>	404,000	400,905
7.625% [H15T10Y+535.3] Jr. Sub. Perpetual Bonds <sup>1,2,10</sup>	395,000	391,544
Banco Santander SA: 6.375% [USSW5+478.8] Jr. Sub. Perpetual Bonds <sup>2,10</sup>	1,290,000	1,296,174
6.75% [EUSA5+680.3] Jr. Sub. Perpetual Bonds <sup>2,10</sup>	EUR 4,235,000	5,322,738
Bank of America Corp.: 3.366% [US0003M+81] Sr. Unsec. Nts., 1/23/26 <sup>2</sup>	749,000	721,122
6.30% [US0003M+455.3] Jr. Sub. Perpetual Bonds <sup>2,10</sup>	1,478,000	1,566,384
7.75% Jr. Sub. Nts., 5/14/38	623,000	846,113
5.989% [US0003M+363] Jr. Sub. Perpetual Bonds, Series K <sup>2,10</sup>	316,000	317,737
Barclays plc: 6.50% [EUSA5+587.5] Jr. Sub. Perpetual Bonds <sup>2,10</sup>	EUR 2,825,000	3,402,575
7.875% [USSW5+677.2] Jr. Sub. Perpetual Bonds <sup>2,10</sup>	1,225,000	1,268,673
8.00% [EUSA5+675] Jr. Sub. Perpetual Bonds <sup>2,10</sup>	EUR 2,825,000	3,661,912
BBVA Bancomer SA, 5.35% [H15T5Y+300] Sub. Nts., 11/12/29 <sup>1,2</sup>	520,000	484,900

	Principal Amount	Value
<b>Commercial Banks (Continued)</b>		
BNP Paribas SA: 6.75% [USSW5+491.6] Jr. Sub. Perpetual Bonds <sup>1,2,10</sup>	\$ 2,825,000	\$ 2,810,875
7.625% [USSW5+631.4] Jr. Sub. Perpetual Bonds <sup>1,2,10</sup>	1,210,000	1,265,963
CIT Group, Inc.: 4.125% Sr. Unsec. Nts., 3/9/21	460,000	458,275
5.00% Sr. Unsec. Nts., 8/15/22	140,000	141,925
5.25% Sr. Unsec. Nts., 3/7/25	285,000	287,850
5.80% [US0003M+397.2] Jr. Sub. Perpetual Bonds <sup>2,10</sup>	1,308,000	1,294,920
Citigroup, Inc., 6.125% [US0003M+447.8] Jr. Sub. Perpetual Bonds <sup>2,10</sup>	947,000	989,615
Citizens Financial Group, Inc., 6.00% [US0003M+300.3] Jr. Sub. Perpetual Bonds <sup>2,10</sup>	635,000	641,350
Credit Agricole SA, 8.125% [USSW5+618.5] Jr. Sub. Perpetual Bonds <sup>1,2,10</sup>	1,725,000	1,830,656
Fidelity Bank plc, 10.50% Sr. Unsec. Nts., 10/16/22 <sup>1</sup>	610,000	602,088
Fifth Third Bancorp, 5.10% [US0003M+303.33] Jr. Sub. Perpetual Bonds <sup>2,10</sup>	335,000	330,635
Global Bank Corp., 4.50% Sr. Unsec. Nts., 10/20/21 <sup>1</sup>	655,000	639,280
Globo Comunicacao e Participacoes SA, 5.125% Sr. Unsec. Nts., 3/31/27 <sup>1</sup>	545,000	508,213
HSBC Holdings plc, 6.375% [USISDA05+370.5] Jr. Sub. Perpetual Bonds <sup>2,10</sup>	1,250,000	1,239,613
Huntington Bancshares, Inc., 5.70% [US0003M+288] Jr. Sub. Perpetual Bonds <sup>2,10</sup>	674,000	666,839
IDBI Bank Ltd. (GIFT-IFC), 5.00% Sr. Unsec. Nts., 9/25/19	430,000	434,499
ING Groep NV, 6.875% [USSW5+512.4] Jr. Sub. Perpetual Bonds <sup>2,10</sup>	1,210,000	1,236,471
JPMorgan Chase & Co.: 6.125% [US0003M+333] Jr. Sub. Perpetual Bonds <sup>2,10</sup>	1,231,000	1,266,391
5.829% [US0003M+347] Jr. Sub. Perpetual Bonds, Series 1 <sup>2,10</sup>	1,585,000	1,602,118
Kenan Advantage Group, Inc. (The), 7.875% Sr. Unsec. Nts., 7/31/23 <sup>1</sup>	985,000	1,009,625
Lloyds Bank plc, 7.50% Sr. Unsec. Nts., 4/2/32 <sup>6</sup>	2,825,000	2,438,331
Lloyds Banking Group plc, 6.375% [EUSA5+529] Jr. Sub. Perpetual Bonds <sup>2,10</sup>	EUR 2,825,000	3,517,596
Rio Oil Finance Trust Series 2018-1, 8.20% Sr. Sec. Nts., 4/6/28 <sup>1</sup>	740,000	751,470
Royal Bank of Scotland Group plc, 7.50% [USSW5+580] Jr. Sub. Perpetual Bonds <sup>2,10</sup>	1,875,000	1,916,250
Sberbank of Russia Via SB Capital SA, 5.50% [H15T5Y+402.3] Sub. Nts., 2/26/24 <sup>1,2</sup>	1,530,000	1,536,633
Societe Generale SA, 7.375% [USSW5+623.8] Jr. Sub. Perpetual Bonds <sup>1,2,10</sup>	5,460,000	5,569,200
SunTrust Banks, Inc.: 5.05% [US0003M+310.2] Jr. Sub. Perpetual Bonds <sup>2,10</sup>	992,000	975,830
5.125% [US0003M+278.6] Jr. Sub. Perpetual Bonds <sup>2,10</sup>	694,000	660,601
Swiss Insured Brazil Power Finance Sarl, 9.85% Sr. Sec. Nts., 7/16/32	BRL 5,250,000	1,259,756



	Principal Amount		Value
<b>Commercial Banks (Continued)</b>			
UBS Group Funding Switzerland AG, 5.00% [US\$W5+243.2] Jr. Sub. Perpetual Bonds <sup>2,10</sup>	\$	945,000	\$ 831,566
Wachovia Capital Trust III, 5.57% [US0003M+93] Jr. Sub. Perpetual Bonds <sup>2,10</sup>		1,323,000	1,311,424
Wells Fargo & Co., 6.111% [US0003M+377] Jr. Sub. Perpetual Bonds, Series K <sup>2,10</sup>		270,000	273,881
Zenith Bank plc, 7.375% Sr. Unsec. Nts., 5/30/22 <sup>1</sup>		650,000	649,474
			73,558,545
<b>Consumer Finance—0.9%</b>			
Ahern Rentals, Inc., 7.375% Sec. Nts., 5/15/23 <sup>1</sup>		605,000	592,900
Ally Financial, Inc.: 4.625% Sr. Unsec. Nts., 5/19/22		440,000	440,000
5.75% Sub. Nts., 11/20/25		1,325,000	1,354,812
8.00% Sr. Unsec. Nts., 11/1/31		415,000	495,925
American Express Co., 4.90% [US0003M+328.5] Jr. Sub. Perpetual Bonds <sup>2,10</sup>		974,000	978,139
Discover Financial Services, 5.50% [US0003M+307.6] Jr. Sub. Perpetual Bonds <sup>2,10</sup>		652,000	637,330
Minejesa Capital BV, 4.625% Sr. Sec. Nts., 8/10/30 <sup>1</sup>		2,810,000	2,567,365
Navient Corp.: 5.50% Sr. Unsec. Nts., 1/15/19		405,000	408,746
5.875% Sr. Unsec. Nts., 10/25/24		790,000	767,288
6.50% Sr. Unsec. Nts., 6/15/22		535,000	548,375
6.625% Sr. Unsec. Nts., 7/26/21		505,000	519,999
6.75% Sr. Unsec. Nts., 6/25/25		685,000	679,862
6.75% Sr. Unsec. Nts., 6/15/26		415,000	406,576
Springleaf Finance Corp.: 5.625% Sr. Unsec. Nts., 3/15/23		805,000	802,746
6.125% Sr. Unsec. Nts., 5/15/22		785,000	804,625
6.875% Sr. Unsec. Nts., 3/15/25		560,000	557,200
8.25% Sr. Unsec. Nts., 12/15/20		490,000	530,425
Terraform Global Operating LLC, 6.125% Sr. Unsec. Nts., 3/1/26 <sup>1</sup>		820,000	811,800
TMX Finance LLC/TitleMax Finance Corp., 11.125% Sr. Sec. Nts., 4/1/23 <sup>1</sup>		555,000	565,406
			14,469,519
<b>Diversified Financial Services—0.5%</b>			
Charming Light Investments Ltd., 4.375% Sr. Unsec. Nts., 12/21/27 <sup>12</sup>		390,000	365,041
Export-Import Bank of India, 7.35% Sr. Unsec. Nts., 5/18/22	INR	70,000,000	988,161
Fidelity & Guaranty Life Holdings, Inc., 5.50% Sr. Unsec. Nts., 5/1/25 <sup>1</sup>		385,000	376,337
JPMorgan Hipotecaria su Casita, 6.47% Sec. Nts., 8/26/35 <sup>8,13</sup>	MXN	5,808,600	27,558
National Savings Bank, 8.875% Sr. Unsec. Nts., 9/18/18 <sup>1</sup>		1,150,000	1,154,773
Park Aerospace Holdings Ltd.: 5.25% Sr. Unsec. Nts., 8/15/22 <sup>1</sup>		135,000	134,158
5.50% Sr. Unsec. Nts., 2/15/24 <sup>1</sup>		970,000	960,096
Rural Electrification Corp. Ltd.: 7.24% Sr. Unsec. Nts., 10/21/21	INR	140,000,000	1,973,468
7.60% Sr. Unsec. Nts., 4/17/21	INR	100,000,000	1,446,769
Voya Financial, Inc., 4.70% [US0003M+208.4] Jr. Sub. Nts., 1/23/48 <sup>1,2</sup>		686,000	611,398
			8,037,759
<b>Insurance—0.8%</b>			
AXA SA, 3.875% [EUSA11+325] Jr. Sub. Perpetual Bonds <sup>2,10</sup>	EUR	2,825,000	3,383,342

	Principal Amount		Value
Insurance (Continued)			
Credivalores-Crediservicios SAS: 9.75% Sr. Unsec. Nts., 7/27/22 <sup>1</sup>	\$	745,000	\$ 733,825
9.75% Sr. Unsec. Nts., 7/27/22 <sup>12</sup>		115,000	113,546
Genworth Holdings, Inc.: 7.625% Sr. Unsec. Nts., 9/24/21		330,000	338,620
7.70% Sr. Unsec. Nts., 6/15/20		430,000	445,050
Hartford Financial Services Group, Inc. (The), 4.468% [US0003M+212.5] Jr. Sub. Nts., 2/12/47 <sup>1,2</sup>		689,000	652,827
HUB International Ltd., 7.00% Sr. Unsec. Nts., 5/1/26 <sup>1</sup>		275,000	272,250
Liberty Mutual Group, Inc., 5.246% [US0003M+290.5] Jr. Sub. Nts., 3/15/37 <sup>1,2</sup>		323,000	315,732
Lincoln National Corp., 4.678% [US0003M+235.75] Jr. Sub. Nts., 5/17/66 <sup>2</sup>		704,000	671,855
MetLife, Inc., 5.25% [US0003M+357.5] Jr. Sub. Perpetual Bonds <sup>2,10</sup>		647,000	659,811
Power Finance Corp. Ltd.: 7.27% Sr. Unsec. Nts., 12/22/26	INR	140,000,000	1,967,924
7.50% Sr. Unsec. Nts., 8/16/21	INR	140,000,000	2,011,915
			11,566,697
Real Estate Investment Trusts (REITs)—0.9%			
AHP Health Partners, Inc., 9.75% Sr. Unsec. Nts., 7/15/26 <sup>1</sup>		550,000	552,750
Banco Invex SA/Hipotecaria Credito y Casa SA de CV, 6.45% Sec. Nts., 3/13/34 <sup>7,13,14</sup>	MXN	4,830,531	—
Equinix, Inc.: 5.375% Sr. Unsec. Nts., 5/15/27		780,000	780,000
5.875% Sr. Unsec. Nts., 1/15/26		945,000	959,647
FelCor Lodging LP, 6.00% Sr. Unsec. Nts., 6/1/25		365,000	375,950
GLP Capital LP/GLP Financing II, Inc.: 5.375% Sr. Unsec. Nts., 11/1/23		410,000	420,250
5.75% Sr. Unsec. Nts., 6/1/28		265,000	268,312
Iron Mountain US Holdings, Inc., 5.375% Sr. Unsec. Nts., 6/1/26 <sup>1</sup>		995,000	950,225
Iron Mountain, Inc., 4.875% Sr. Unsec. Nts., 9/15/27 <sup>1</sup>		410,000	379,763
iStar, Inc.: 5.00% Sr. Unsec. Nts., 7/1/19		405,000	404,241
5.25% Sr. Unsec. Nts., 9/15/22		800,000	780,000
6.00% Sr. Unsec. Nts., 4/1/22		1,165,000	1,167,912
Lamar Media Corp., 5.75% Sr. Unsec. Nts., 2/1/26		620,000	633,175
MPT Operating Partnership LP/MPT Finance Corp.: 5.00% Sr. Unsec. Nts., 10/15/27		795,000	761,213
6.375% Sr. Unsec. Nts., 3/1/24		250,000	263,125
Outfront Media Capital LLC/Outfront Media Capital Corp., 5.875% Sr. Unsec. Nts., 3/15/25		915,000	925,888
SBA Communications Corp., 4.00% Sr. Unsec. Nts., 10/1/22 <sup>1</sup>		690,000	663,263
Starwood Property Trust, Inc.: 4.75% Sr. Unsec. Nts., 3/15/25 <sup>1</sup>		805,000	774,813
5.00% Sr. Unsec. Nts., 12/15/21		760,000	767,600
Trust F/1401, 5.25% Sr. Unsec. Nts., 1/30/26 <sup>1</sup>		1,120,000	1,094,800
Uniti Group LP/Uniti Group Finance, Inc./ CSL Capital LLC, 8.25% Sr. Unsec. Nts., 10/15/23		780,000	748,956
			13,671,883
Real Estate Management & Development—0.3%			
Cleaver-Brooks, Inc., 7.875% Sr. Sec. Nts., 3/1/23 <sup>1</sup>		400,000	413,000

**CONSOLIDATED STATEMENT OF INVESTMENTS** Unaudited / Continued

	Principal Amount	Value
<b>Real Estate Management &amp; Development (Continued)</b>		
Country Garden Holdings Co. Ltd., 7.50% Sr. Sec. Nts., 3/9/20	\$ 1,065,000	\$ 1,092,310
Greystar Real Estate Partners LLC, 5.75% Sr. Sec. Nts., 12/1/25 <sup>1</sup>	805,000	782,862
Hunt Cos., Inc., 6.25% Sr. Sec. Nts., 2/15/26 <sup>1</sup>	815,000	762,025
Mattamy Group Corp., 6.875% Sr. Unsec. Nts., 12/15/23 <sup>1</sup>	505,000	514,393
Realogy Group LLC/Realogy Co.-Issuer Corp., 4.875% Sr. Unsec. Nts., 6/1/23 <sup>1</sup>	965,000	911,925
Shea Homes LP/Shea Homes Funding Corp., 6.125% Sr. Unsec. Nts., 4/1/25 <sup>1</sup>	745,000	745,000
		5,221,515
<b>Thriffs &amp; Mortgage Finance—0.6%</b>		
Export-Import Bank of India, 8.00% Sr. Unsec. Nts., 5/27/21	INR 280,000,000	4,088,985
LIC Housing Finance Ltd., 7.45% Sr. Sec. Nts., 10/17/22	INR 70,000,000	984,277
Provident Funding Associates LP/PFG Finance Corp., 6.375% Sr. Unsec. Nts., 6/15/25 <sup>1</sup>	395,000	385,540
Quicken Loans, Inc.: 5.25% Sr. Unsec. Nts., 1/15/28 <sup>1</sup>	1,075,000	995,504
5.75% Sr. Unsec. Nts., 5/1/25 <sup>1</sup>	1,420,000	1,396,967
Radian Group, Inc., 4.50% Sr. Unsec. Nts., 10/1/24	545,000	528,650
		8,379,923
<b>Health Care—2.6%</b>		
<b>Biotechnology—0.1%</b>		
WeWork Cos, Inc., 7.875% Sr. Unsec. Nts., 5/1/25 <sup>1</sup>	1,380,000	1,328,250
<b>Health Care Equipment &amp; Supplies—0.1%</b>		
DJO Finance LLC/DJO Finance Corp., 8.125% Sec. Nts., 6/15/21 <sup>1</sup>	480,000	488,256
Hill-Rom Holdings, Inc., 5.75% Sr. Unsec. Nts., 9/1/23 <sup>1</sup>	495,000	506,137
Hologic, Inc., 4.375% Sr. Unsec. Nts., 10/15/25 <sup>1</sup>	145,000	138,838
		1,133,231
<b>Health Care Providers &amp; Services—1.3%</b>		
Acadia Healthcare Co., Inc.: 5.625% Sr. Unsec. Nts., 2/15/23	620,000	627,750
6.50% Sr. Unsec. Nts., 3/1/24	250,000	257,500
Centene Corp.: 4.75% Sr. Unsec. Nts., 5/15/22	655,000	662,369
6.125% Sr. Unsec. Nts., 2/15/24	245,000	258,781
Centene Escrow I Corp., 5.375% Sr. Unsec. Nts., 6/1/26 <sup>1</sup>	825,000	837,895
CHS/Community Health Systems, Inc.: 6.25% Sr. Sec. Nts., 3/31/23	1,695,000	1,559,400
6.875% Sr. Unsec. Nts., 2/1/22	549,000	282,735
8.125% Sec. Nts., 6/30/24 <sup>1</sup>	60,000	49,875
DaVita, Inc.: 5.00% Sr. Unsec. Nts., 5/1/25	275,000	259,531
5.125% Sr. Unsec. Nts., 7/15/24	1,285,000	1,248,859
Encompass Health Corp., 5.75% Sr. Unsec. Nts., 11/1/24	1,235,000	1,240,347
HCA, Inc.: 5.375% Sr. Unsec. Nts., 2/1/25	680,000	671,296
5.50% Sr. Sec. Nts., 6/15/47	650,000	598,000
5.875% Sr. Unsec. Nts., 2/15/26	275,000	278,094
7.50% Sr. Unsec. Nts., 2/15/22	2,405,000	2,621,450
Kindred Healthcare, Inc., 6.375% Sr. Unsec. Nts., 4/15/22	540,000	558,900
LifePoint Health, Inc., 5.375% Sr. Unsec. Nts., 5/1/24	535,000	516,944

	Principal Amount	Value
<b>Health Care Providers &amp; Services (Continued)</b>		
OCP SA, 4.50% Sr. Unsec. Nts., 10/22/25 <sup>1</sup>	\$ 1,060,000	\$ 1,011,852
Omnicare, Inc., 4.75% Sr. Unsec. Nts., 12/1/22	1,765,000	1,803,060
Select Medical Corp., 6.375% Sr. Unsec. Nts., 6/1/21	770,000	783,379
Tenet Healthcare Corp.: 4.375% Sr. Sec. Nts., 10/1/21	520,000	514,150
6.75% Sr. Unsec. Nts., 6/15/23	1,685,000	1,682,894
7.50% Sec. Nts., 1/1/22 <sup>1</sup>	505,000	527,094
8.125% Sr. Unsec. Nts., 4/1/22	765,000	801,337
TPC Group, Inc., 8.75% Sr. Sec. Nts., 12/15/20 <sup>1</sup>	135,000	134,325
Universal Hospital Services, Inc., 7.625% Sec. Nts., 8/15/20	755,000	755,944
		20,543,761
<b>Health Care Technology—0.1%</b>		
Telenet Finance Luxembourg Notes Sarl, 5.50% Sr. Sec. Nts., 3/1/28 <sup>1</sup>	805,000	735,513
<b>Life Sciences Tools &amp; Services—0.0%</b>		
West Street Merger Sub, Inc., 6.375% Sr. Unsec. Nts., 9/1/25 <sup>1</sup>	415,000	398,400
<b>Pharmaceuticals—1.0%</b>		
Concordia International Corp., 7.00% Sr. Unsec. Nts., 4/15/23 <sup>7,8</sup>	585,000	36,562
Endo Dac/Endo Finance LLC/Endo Finco, Inc.: 5.875% Sr. Sec. Nts., 10/15/24 <sup>1</sup>	275,000	269,500
6.00% Sr. Unsec. Nts., 7/15/23 <sup>1</sup>	1,255,000	1,038,512
6.00% Sr. Unsec. Nts., 2/1/25 <sup>1</sup>	210,000	164,850
Endo Finance LLC/Endo Finco, Inc.: 5.375% Sr. Unsec. Nts., 1/15/23 <sup>1</sup>	1,745,000	1,404,725
7.25% Sr. Unsec. Nts., 1/15/22 <sup>1</sup>	275,000	254,375
Mallinckrodt International Finance SA/ Mallinckrodt CB LLC: 4.875% Sr. Unsec. Nts., 4/15/20 <sup>1</sup>	520,000	513,500
5.50% Sr. Unsec. Nts., 4/15/25 <sup>1</sup>	1,320,000	1,062,600
5.75% Sr. Unsec. Nts., 8/1/22 <sup>1</sup>	930,000	841,650
Prestige Brands, Inc., 6.375% Sr. Unsec. Nts., 3/1/24 <sup>1</sup>	325,000	323,375
Teva Pharmaceutical Finance Co. BV, 3.65% Sr. Unsec. Nts., 11/10/21	485,000	464,805
Teva Pharmaceutical Finance Netherlands III BV: 1.70% Sr. Unsec. Nts., 7/19/19	235,000	229,474
3.15% Sr. Unsec. Nts., 10/1/26	275,000	221,333
6.00% Sr. Unsec. Nts., 4/15/24	875,000	874,854
Valeant Pharmaceuticals International, Inc.: 5.50% Sr. Unsec. Nts., 3/1/23 <sup>1</sup>	355,000	331,925
5.50% Sr. Sec. Nts., 11/1/25 <sup>1</sup>	935,000	924,949
5.875% Sr. Unsec. Nts., 5/15/23 <sup>1</sup>	1,025,000	966,703
6.125% Sr. Unsec. Nts., 4/15/25 <sup>1</sup>	1,480,000	1,369,000
7.00% Sr. Sec. Nts., 3/15/24 <sup>1</sup>	655,000	687,547
7.25% Sr. Unsec. Nts., 7/15/22 <sup>1</sup>	620,000	634,979
7.50% Sr. Unsec. Nts., 7/15/21 <sup>1</sup>	890,000	905,575
8.50% Sr. Unsec. Nts., 1/31/27 <sup>1</sup>	825,000	839,438
9.00% Sr. Unsec. Nts., 12/15/25 <sup>1</sup>	1,220,000	1,270,325
		15,630,556
<b>Industrials—3.4%</b>		
<b>Aerospace &amp; Defense—0.6%</b>		
Arconic, Inc., 5.125% Sr. Unsec. Nts., 10/1/24	535,000	533,018
Bombardier, Inc.: 6.00% Sr. Unsec. Nts., 10/15/22 <sup>1</sup>	475,000	475,451
7.50% Sr. Unsec. Nts., 12/1/24 <sup>1</sup>	805,000	849,275
7.50% Sr. Unsec. Nts., 3/15/25 <sup>1</sup>	805,000	842,231

	Principal Amount	Value
<b>Aerospace &amp; Defense (Continued)</b>		
Bombardier, Inc.: (Continued)		
8.75% Sr. Unsec. Nts., 12/1/21 <sup>1</sup>	\$ 1,115,000	\$ 1,232,075
DAE Funding LLC:		
4.50% Sr. Unsec. Nts., 8/1/22 <sup>1</sup>	590,000	573,775
5.00% Sr. Unsec. Nts., 8/1/24 <sup>1</sup>	265,000	255,195
Kratos Defense & Security Solutions, Inc.,		
6.50% Sr. Sec. Nts., 11/30/25 <sup>1</sup>	400,000	415,500
TransDigm UK Holdings plc, 6.875% Sr.		
Sub. Nts., 5/15/26 <sup>1</sup>	275,000	279,469
TransDigm, Inc.:		
6.375% Sr. Sub. Nts., 6/15/26	1,215,000	1,208,925
6.50% Sr. Sub. Nts., 7/15/24	535,000	545,700
Triumph Group, Inc.:		
5.25% Sr. Unsec. Nts., 6/1/22	785,000	759,487
7.75% Sr. Unsec. Nts., 8/15/25	965,000	957,763
		8,927,864
<b>Airlines—0.1%</b>		
American Airlines Group, Inc., 4.625%		
Sr. Unsec. Nts., 3/1/20 <sup>1</sup>	645,000	644,194
United Continental Holdings, Inc.,		
4.25% Sr. Unsec. Nts., 10/1/22	800,000	773,000
		1,417,194
<b>Building Products—0.1%</b>		
Allegion US Holding Co., Inc., 3.55%		
Sec. Nts., 10/1/27	746,000	691,318
Jeld-Wen, Inc.:		
4.625% Sr. Unsec. Nts., 12/15/25 <sup>1</sup>	120,000	114,600
4.875% Sr. Unsec. Nts., 12/15/27 <sup>1</sup>	120,000	111,900
Standard Industries, Inc., 5.375% Sr.		
Unsec. Nts., 11/15/24 <sup>1</sup>	915,000	908,138
USG Corp., 4.875% Sr. Unsec. Nts.,		
6/1/27 <sup>1</sup>	370,000	379,250
		2,205,206
<b>Commercial Services &amp; Supplies—0.7%</b>		
ACCO Brands Corp., 5.25% Sr. Unsec.		
Nts., 12/15/24 <sup>1</sup>	490,000	490,000
Affinion Group, Inc., 12.50% Sr. Unsec.		
Nts., 11/10/22 <sup>8,9</sup>	1,254,094	1,131,820
ARD Finance SA, 7.125% Sr. Sec. Nts.,		
9/15/23 <sup>9</sup>	775,000	778,875
Brink's Co. (The), 4.625% Sr. Unsec.		
Nts., 10/15/27 <sup>1</sup>	870,000	806,925
Clean Harbors, Inc., 5.125% Sr. Unsec.		
Nts., 6/1/21	830,000	835,187
Covanta Holding Corp.:		
5.875% Sr. Unsec. Nts., 3/1/24	1,485,000	1,466,437
5.875% Sr. Unsec. Nts., 7/1/25	310,000	299,925
GFL Environmental, Inc., 5.625% Sr.		
Unsec. Nts., 5/1/22 <sup>1</sup>	720,000	696,600
Hulk Finance Corp., 7.00% Sr. Unsec.		
Nts., 6/1/26 <sup>1</sup>	825,000	792,000
RR Donnelley & Sons Co., 7.875% Sr.		
Unsec. Nts., 3/15/21	1,200,000	1,224,000
TMS International Corp., 7.25% Sr.		
Unsec. Nts., 8/15/25 <sup>8</sup>	265,000	271,625
Waste Pro USA, Inc., 5.50% Sr. Unsec.		
Nts., 2/15/26 <sup>1</sup>	125,000	120,469
West Corp.:		
5.375% Sr. Unsec. Nts., 7/15/22 <sup>8</sup>	685,000	690,138
8.50% Sr. Unsec. Nts., 10/15/25 <sup>1</sup>	665,000	610,138
		10,214,139
<b>Construction &amp; Engineering—0.1%</b>		
AECOM, 5.125% Sr. Unsec. Nts.,		
3/15/27	535,000	505,575
Fideicomiso PA Pacifico Tres, 8.25% Sr.		
Sec. Nts., 1/15/35 <sup>8</sup>	510,000	568,650

	Principal Amount	Value
<b>Construction &amp; Engineering (Continued)</b>		
New Enterprise Stone & Lime Co., Inc.,		
6.25% Sr. Sec. Nts., 3/15/26 <sup>1</sup>	\$ 275,000	\$ 278,437
Tutor Perini Corp., 6.875% Sr. Unsec.		
Nts., 5/1/25 <sup>1</sup>	565,000	567,119
		1,919,781
<b>Electrical Equipment—0.1%</b>		
Sensata Technologies BV, 5.625% Sr.		
Unsec. Nts., 11/1/24 <sup>1</sup>	1,090,000	1,134,963
Vertiv Group Corp., 9.25% Sr. Unsec.		
Nts., 10/15/24 <sup>1</sup>	760,000	748,600
		1,883,563
<b>Industrial Conglomerates—0.2%</b>		
Citgo Holding, Inc., 10.75% Sr. Sec. Nts.,		
2/15/20 <sup>1</sup>	570,000	609,187
General Electric Co., 5.00% Jr. Sub.		
Perpetual Bonds <sup>6,10</sup>	519,000	512,642
Icahn Enterprises LP/Icahn Enterprises		
Finance Corp., 5.875% Sr. Unsec. Nts.,		
2/1/22	490,000	491,936
Sigma Finance Netherlands BV, 4.875%		
Sr. Unsec. Nts., 3/27/28 <sup>1</sup>	1,015,000	974,400
Tupras Türkiye Petrol Rafinerileri AS,		
4.50% Sr. Unsec. Nts., 10/18/24 <sup>1</sup>	510,000	455,454
		3,043,619
<b>Machinery—0.5%</b>		
Allison Transmission, Inc.:		
4.75% Sr. Unsec. Nts., 10/1/27 <sup>1</sup>	265,000	247,775
5.00% Sr. Unsec. Nts., 10/1/24 <sup>1</sup>	500,000	493,125
Amsted Industries, Inc., 5.00% Sr. Unsec.		
Nts., 3/15/22 <sup>1</sup>	1,120,000	1,124,200
BlueLine Rental Finance Corp./BlueLine		
Rental LLC, 9.25% Sec. Nts., 3/15/24 <sup>1</sup>	1,305,000	1,391,652
CNH Industrial NV, 3.85% Sr. Unsec.		
Nts., 11/15/27	491,000	458,068
Icahn Enterprises LP/Icahn Enterprises		
Finance Corp., 6.75% Sr. Unsec. Nts.,		
2/1/24	570,000	576,412
JB Poindexter & Co., Inc., 7.125% Sr.		
Unsec. Nts., 4/15/26 <sup>1</sup>	415,000	427,450
Meritor, Inc., 6.25% Sr. Unsec. Nts.,		
2/15/24	150,000	151,875
Navistar International Corp., 6.625% Sr.		
Unsec. Nts., 11/1/25 <sup>1</sup>	915,000	944,737
Park-Ohio Industries, Inc., 6.625% Sr.		
Unsec. Nts., 4/15/27	165,000	167,888
Terex Corp., 5.625% Sr. Unsec. Nts.,		
2/1/25 <sup>1</sup>	525,000	523,031
Titan International, Inc., 6.50% Sr. Sec.		
Nts., 11/30/23	990,000	990,000
Wabash National Corp., 5.50% Sr.		
Unsec. Nts., 10/1/25 <sup>1</sup>	270,000	259,875
Wabtec Corp., 3.45% Sr. Unsec. Nts.,		
11/15/26	374,000	346,080
		8,102,168
<b>Marine—0.0%</b>		
Global Ship Lease, Inc., 9.875% Sr. Sec.		
Nts., 11/15/22 <sup>1</sup>	270,000	267,300
<b>Professional Services—0.1%</b>		
Brand Industrial Services, Inc., 8.50% Sr.		
Unsec. Nts., 7/15/25 <sup>1</sup>	795,000	807,919
FTI Consulting, Inc., 6.00% Sr. Unsec.		
Nts., 11/15/22	915,000	941,306
IHS Markit Ltd., 4.00% Sr. Unsec. Nts.,		
3/1/26 <sup>1</sup>	270,000	258,862
		2,008,087

**CONSOLIDATED STATEMENT OF INVESTMENTS** Unaudited / Continued

	Principal Amount	Value
<b>Road &amp; Rail—0.1%</b>		
Algeco Global Finance plc, 8.00% Sr. Sec. Nts., 2/15/23 <sup>1</sup>	\$ 270,000	\$ 275,400
Avis Budget Car Rental LLC/Avis Budget Finance, Inc., 5.25% Sr. Unsec. Nts., 3/15/25 <sup>1</sup>	520,000	475,150
DAE Funding LLC, 4.00% Sr. Unsec. Nts., 8/1/20 <sup>1</sup>	265,000	262,681
Hertz Corp. (The):		
5.875% Sr. Unsec. Nts., 10/15/20	250,000	245,625
7.375% Sr. Unsec. Nts., 1/15/21	265,000	261,025
Rumo Luxembourg Sarl, 5.875% Sr. Unsec. Nts., 1/18/25 <sup>1</sup>	650,000	595,969
		2,115,850
<b>Trading Companies &amp; Distributors—0.5%</b>		
Aircastle Ltd., 5.00% Sr. Unsec. Nts., 4/1/23	245,000	247,124
American Builders & Contractors Supply Co., Inc., 5.75% Sr. Unsec. Nts., 12/15/23 <sup>1</sup>	340,000	349,350
Fly Leasing Ltd., 5.25% Sr. Unsec. Nts., 10/15/24	530,000	498,200
H&E Equipment Services, Inc., 5.625% Sr. Unsec. Nts., 9/1/25	800,000	788,000
Herc Rentals, Inc., 7.50% Sec. Nts., 6/1/22 <sup>1</sup>	541,000	574,812
ILFC E-Capital Trust I, 4.57% [30YR CMT+155] Jr. Sub. Nts., 12/21/65 <sup>1,2</sup>	1,355,000	1,270,312
Standard Industries, Inc., 6.00% Sr. Unsec. Nts., 10/15/25 <sup>1</sup>	740,000	745,550
United Rentals North America, Inc.:		
4.625% Sr. Unsec. Nts., 10/15/25	732,000	699,060
4.875% Sr. Unsec. Nts., 1/15/28	690,000	642,563
5.875% Sr. Unsec. Nts., 9/15/26	1,235,000	1,248,894
		7,063,865
<b>Transportation Infrastructure—0.3%</b>		
Adani Abbot Point Terminal Pty Ltd., 4.45% Sr. Sec. Nts., 12/15/22 <sup>1</sup>	260,000	237,401
Agile Group Holdings Ltd., 9.00% Sr. Sec. Nts., 5/21/20	2,125,000	2,202,146
GMR Hyderabad International Airport Ltd., 4.25% Sr. Sec. Nts., 10/27/27 <sup>1</sup>	1,065,000	904,151
Jasa Marga Persero Tbk PT, 7.50% Sr. Unsec. Nts., 12/11/20 <sup>1</sup>	IDR 9,160,000,000	600,959
		3,944,657
<b>Information Technology—1.6%</b>		
<b>Communications Equipment—0.2%</b>		
CommScope Technologies LLC, 6.00% Sr. Unsec. Nts., 6/15/25 <sup>1</sup>	570,000	584,963
HTA Group Ltd., 9.125% Sr. Unsec. Nts., 3/8/22 <sup>1</sup>	505,000	484,800
Infor US, Inc., 6.50% Sr. Unsec. Nts., 5/15/22	920,000	928,050
Plantronics, Inc., 5.50% Sr. Unsec. Nts., 5/31/23 <sup>1</sup>	435,000	436,305
Riverbed Technology, Inc., 8.875% Sr. Unsec. Nts., 3/1/23 <sup>1</sup>	295,000	280,766
ViaSat, Inc., 5.625% Sr. Unsec. Nts., 9/15/25 <sup>1</sup>	265,000	250,425
		2,965,309
<b>Electronic Equipment, Instruments, &amp; Components—0.1%</b>		
APX Group, Inc., 7.875% Sr. Sec. Nts., 12/1/22	275,000	273,969
CDW LLC/CDW Finance Corp., 5.00% Sr. Unsec. Nts., 9/1/23	485,000	486,649
TTM Technologies, Inc., 5.625% Sr. Unsec. Nts., 10/1/25 <sup>1</sup>	800,000	782,000
		1,542,618

	Principal Amount	Value
<b>Internet Software &amp; Services—0.2%</b>		
Gogo Intermediate Holdings LLC/Gogo Finance Co., Inc., 12.50% Sr. Sec. Nts., 7/1/22 <sup>1</sup>	\$ 140,000	\$ 149,800
GTT Communications, Inc., 7.875% Sr. Unsec. Nts., 12/31/24 <sup>1</sup>	140,000	139,300
j2 Cloud Services LLC/j2 Global Co.-Obligor, Inc., 6.00% Sr. Unsec. Nts., 7/15/25 <sup>1</sup>	790,000	803,825
Match Group, Inc., 5.00% Sr. Unsec. Nts., 12/15/27 <sup>1</sup>	395,000	368,337
Rackspace Hosting, Inc., 8.625% Sr. Unsec. Nts., 11/15/24 <sup>1</sup>	1,395,000	1,405,462
VeriSign, Inc., 4.75% Sr. Unsec. Nts., 7/15/27	590,000	565,486
		3,432,210
<b>IT Services—0.6%</b>		
Alliance Data Systems Corp., 5.375% Sr. Unsec. Nts., 8/1/22 <sup>1</sup>	275,000	277,716
Booz Allen Hamilton, Inc., 5.125% Sr. Unsec. Nts., 5/1/25 <sup>1</sup>	530,000	519,400
Conduent Finance, Inc./Conduent Business Services LLC, 10.50% Sr. Unsec. Nts., 12/15/24 <sup>1</sup>	1,055,000	1,264,681
Everi Payments, Inc., 7.50% Sr. Unsec. Nts., 12/15/25 <sup>1</sup>	1,075,000	1,080,375
Exela Intermediate LLC/Exela Finance, Inc., 10.00% Sr. Sec. Nts., 7/15/23 <sup>1</sup>	770,000	790,212
First Data Corp.:		
5.00% Sr. Sec. Nts., 1/15/24 <sup>1</sup>	455,000	453,294
5.75% Sec. Nts., 1/15/24 <sup>1</sup>	910,000	912,821
7.00% Sr. Unsec. Nts., 12/1/23 <sup>1</sup>	1,465,000	1,529,577
Gartner, Inc., 5.125% Sr. Unsec. Nts., 4/1/25 <sup>1</sup>	780,000	778,050
Harland Clarke Holdings Corp., 6.875% Sr. Sec. Nts., 3/1/20 <sup>8</sup>	835,000	828,737
Sabre GBLB, Inc., 5.25% Sr. Sec. Nts., 11/15/23 <sup>1</sup>	825,000	834,265
		9,269,128
<b>Semiconductors &amp; Semiconductor Equipment—0.1%</b>		
NXP BV/NXP Funding LLC, 4.625% Sr. Unsec. Nts., 6/1/23 <sup>1</sup>	1,350,000	1,369,170
Versum Materials, Inc., 5.50% Sr. Unsec. Nts., 9/30/24 <sup>1</sup>	250,000	254,100
		1,623,270
<b>Software—0.3%</b>		
BMC Software Finance, Inc., 8.125% Sr. Unsec. Nts., 7/15/21 <sup>1</sup>	1,355,000	1,387,181
Dell International LLC/EMC Corp.:		
5.875% Sr. Unsec. Nts., 6/15/21 <sup>1</sup>	215,000	218,455
7.125% Sr. Unsec. Nts., 6/15/24 <sup>1</sup>	745,000	789,953
Informatica LLC, 7.125% Sr. Unsec. Nts., 7/15/23 <sup>1</sup>	595,000	604,056
Symantec Corp., 5.00% Sr. Unsec. Nts., 4/15/25 <sup>1</sup>	495,000	480,645
TIBCO Software, Inc., 11.375% Sr. Unsec. Nts., 12/1/21 <sup>1</sup>	625,000	675,781
Veritas US, Inc./Veritas Bermuda Ltd., 7.50% Sr. Sec. Nts., 2/1/23 <sup>1</sup>	1,155,000	1,085,700
		5,241,771
<b>Technology Hardware, Storage &amp; Peripherals—0.1%</b>		
Harland Clarke Holdings Corp., 8.375% Sr. Sec. Nts., 8/15/22 <sup>1</sup>	920,000	906,200
NCR Corp., 6.375% Sr. Unsec. Nts., 12/15/23	520,000	540,150
		1,446,350

	Principal Amount	Value
<b>Materials—3.4%</b>		
<b>Chemicals—1.2%</b>		
Ashland LLC, 6.875% Sr. Unsec. Nts., 5/15/43	\$ 295,000	\$ 300,900
Avantor, Inc.:		
6.00% Sr. Sec. Nts., 10/1/24 <sup>1</sup>	415,000	411,555
9.00% Sr. Unsec. Nts., 10/1/25 <sup>1</sup>	550,000	555,610
CF Industries, Inc.:		
4.95% Sr. Unsec. Nts., 6/1/43	535,000	452,412
5.15% Sr. Unsec. Nts., 3/15/34	335,000	311,969
Chemours Co. (The), 6.625% Sr. Unsec. Nts., 5/15/23	233,000	244,650
Consolidated Energy Finance SA, 6.50% Sr. Unsec. Nts., 5/15/26 <sup>1</sup>	275,000	272,594
CVR Partners LP/CVR Nitrogen Finance Corp., 9.25% Sec. Nts., 6/15/23 <sup>1</sup>	185,000	191,244
Hexion, Inc.:		
6.625% Sr. Sec. Nts., 4/15/20	1,850,000	1,736,965
10.375% Sr. Sec. Nts., 2/1/22 <sup>1</sup>	520,000	512,200
Inkia Energy Ltd., 5.875% Sr. Unsec. Nts., 11/9/27 <sup>1</sup>	965,000	903,481
Koppers, Inc., 6.00% Sr. Unsec. Nts., 2/15/25 <sup>1</sup>	510,000	511,275
Kraton Polymers LLC/Kraton Polymers Capital Corp., 7.00% Sr. Unsec. Nts., 4/15/25 <sup>1</sup>	260,000	270,400
LSB Industries, Inc., 9.625% Sr. Sec. Nts., 5/1/23 <sup>1</sup>	135,000	136,519
NOVA Chemicals Corp.:		
4.875% Sr. Unsec. Nts., 6/1/24 <sup>1</sup>	260,000	247,975
5.25% Sr. Unsec. Nts., 8/1/23 <sup>1</sup>	340,000	340,425
Nutrien Ltd.:		
3.375% Sr. Unsec. Nts., 3/15/25	378,000	356,209
4.125% Sr. Unsec. Nts., 3/15/35	167,000	155,167
Olin Corp.:		
5.00% Sr. Unsec. Nts., 2/1/30	240,000	227,700
5.125% Sr. Unsec. Nts., 9/15/27	3,125,000	3,046,875
ONGC Videsh Ltd., 2.75% Sr. Unsec. Nts., 7/15/21	EUR 1,240,000	1,529,651
Petkim Petrokimya Holding AS, 5.875% Sr. Unsec. Nts., 1/26/23 <sup>1</sup>	880,000	802,801
Platform Specialty Products Corp.:		
5.875% Sr. Unsec. Nts., 12/1/25 <sup>1</sup>	690,000	675,338
6.50% Sr. Unsec. Nts., 2/1/22 <sup>1</sup>	195,000	198,900
PolyOne Corp., 5.25% Sr. Unsec. Nts., 3/15/23	806,000	824,135
PQ Corp., 5.75% Sr. Unsec. Nts., 12/15/25 <sup>1</sup>	270,000	267,975
Rain CII Carbon LLC/CII Carbon Corp., 7.25% Sec. Nts., 4/1/25 <sup>1</sup>	980,000	999,600
RPM International, Inc., 3.75% Sr. Unsec. Nts., 3/15/27	234,000	223,394
Sherwin-Williams Co. (The), 3.45% Sr. Unsec. Nts., 6/1/27	110,000	104,020
Tronox Finance plc, 5.75% Sr. Unsec. Nts., 10/1/25 <sup>1</sup>	535,000	520,956
Tronox, Inc., 6.50% Sr. Unsec. Nts., 4/15/26 <sup>1</sup>	365,000	363,631
Valvoline, Inc., 4.375% Sr. Unsec. Nts., 8/15/25	480,000	447,000
Venator Finance Sarl/Venator Materials LLC, 5.75% Sr. Unsec. Nts., 7/15/25 <sup>1</sup>	790,000	758,400
		18,901,926
<b>Construction Materials—0.2%</b>		
CIMPOR Financial Operations BV, 5.75% Sr. Unsec. Nts., 7/17/24 <sup>1</sup>	2,040,000	1,642,200
James Hardie International Finance DAC:		
4.75% Sr. Unsec. Nts., 1/15/25 <sup>1</sup>	130,000	127,400
5.00% Sr. Unsec. Nts., 1/15/28 <sup>1</sup>	125,000	118,750

	Principal Amount	Value
<b>Construction Materials (Continued)</b>		
LafargeHolcim Finance US LLC, 3.50% Sr. Unsec. Nts., 9/22/26 <sup>1</sup>	\$ 209,000	\$ 195,015
St. Marys Cement, Inc., 5.75% Sr. Unsec. Nts., 1/28/27 <sup>1</sup>	475,000	459,563
Summit Materials LLC/Summit Materials Finance Corp., 5.125% Sr. Unsec. Nts., 6/1/25 <sup>1</sup>	260,000	245,050
US Concrete, Inc., 6.375% Sr. Unsec. Nts., 6/1/24	715,000	718,575
		3,506,553
<b>Containers &amp; Packaging—0.6%</b>		
ARD Securities Finance Sarl, 8.75% Sr. Sec. Nts., 1/31/23 <sup>1,9</sup>	815,000	833,338
BWAY Holding Co., 7.25% Sr. Unsec. Nts., 4/15/25 <sup>1</sup>	270,000	263,925
Crown Americas LLC/Crown Americas Capital Corp. IV, 4.50% Sr. Unsec. Nts., 1/15/23	880,000	864,600
Crown Americas LLC/Crown Americas Capital Corp. VI, 4.75% Sr. Unsec. Nts., 2/1/26 <sup>1</sup>	270,000	257,175
Flex Acquisition Co., Inc., 7.875% Sr. Unsec. Nts., 7/15/26 <sup>1</sup>	555,000	554,223
Klabi Finance SA, 4.875% Sr. Unsec. Nts., 9/19/27 <sup>1</sup>	1,035,000	934,605
OI European Group BV, 4.00% Sr. Unsec. Nts., 3/15/23 <sup>1</sup>	535,000	500,225
Owens-Brockway Glass Container, Inc., 5.00% Sr. Unsec. Nts., 1/15/22 <sup>1</sup>	500,000	500,000
Plastipak Holdings, Inc., 6.25% Sr. Unsec. Nts., 10/15/25 <sup>1</sup>	800,000	740,000
Reynolds Group Issuer, Inc./Reynolds Group Issuer LLC/Reynolds Group Issuer Luxembourg SA:		
5.125% Sr. Sec. Nts., 7/15/23 <sup>1</sup>	745,000	736,619
7.00% Sr. Unsec. Nts., 7/15/24 <sup>1</sup>	995,000	1,018,009
Sealed Air Corp.:		
4.875% Sr. Unsec. Nts., 12/1/22 <sup>1</sup>	585,000	593,044
6.875% Sr. Unsec. Nts., 7/15/33 <sup>1</sup>	270,000	297,675
Silgan Holdings, Inc., 4.75% Sr. Unsec. Nts., 3/15/25	755,000	721,025
		8,814,463
<b>Metals &amp; Mining—1.3%</b>		
AK Steel Corp.:		
6.375% Sr. Unsec. Nts., 10/15/25	1,210,000	1,131,350
7.00% Sr. Unsec. Nts., 3/15/27	405,000	386,775
Alcoa Nederland Holding BV:		
6.125% Sr. Unsec. Nts., 5/15/28 <sup>1</sup>	510,000	514,462
6.75% Sr. Unsec. Nts., 9/30/24 <sup>1</sup>	245,000	259,600
7.00% Sr. Unsec. Nts., 9/30/26 <sup>1</sup>	240,000	255,600
Aleris International, Inc., 10.75% Sec. Nts., 7/15/23 <sup>1</sup>	280,000	282,450
Allegheny Technologies, Inc., 7.875% Sr. Unsec. Nts., 8/15/23	530,000	572,400
ArcelorMittal:		
6.75% Sr. Unsec. Nts., 3/1/41	295,000	334,825
7.00% Sr. Unsec. Nts., 10/15/39	475,000	548,031
Coeur Mining, Inc., 5.875% Sr. Unsec. Nts., 6/1/24	785,000	760,469
Constellium NV, 6.625% Sr. Unsec. Nts., 3/1/25 <sup>1</sup>	510,000	515,095
CSN Resources SA:		
6.50% Sr. Unsec. Nts., 7/21/20 <sup>1</sup>	128,000	119,840
7.625% Sr. Unsec. Nts., 2/13/23 <sup>1</sup>	470,000	424,762
Eldorado Gold Corp., 6.125% Sr. Unsec. Nts., 12/15/20 <sup>1</sup>	870,000	841,725
Evrar Group SA, 8.25% Sr. Unsec. Nts., 1/28/21	690,000	736,713

**CONSOLIDATED STATEMENT OF INVESTMENTS** Unaudited / Continued

	Principal Amount	Value
<b>Metals &amp; Mining (Continued)</b>		
Ferroglobe plc/Globe Specialty Metals, Inc., 9.375% Sr. Unsec. Nts., 3/1/22 <sup>1</sup>	\$ 750,000	\$ 778,125
First Quantum Minerals Ltd.:		
6.50% Sr. Unsec. Nts., 3/1/24 <sup>1</sup>	275,000	266,062
6.875% Sr. Unsec. Nts., 3/1/26 <sup>1</sup>	275,000	264,000
7.25% Sr. Unsec. Nts., 4/1/23 <sup>1</sup>	780,000	781,950
Freeport-McMoRan, Inc.:		
3.10% Sr. Unsec. Nts., 3/15/20	340,000	334,475
4.55% Sr. Unsec. Nts., 11/14/24	530,000	506,150
5.40% Sr. Unsec. Nts., 11/14/34	780,000	711,750
5.45% Sr. Unsec. Nts., 3/15/43	350,000	308,770
Goldcorp, Inc., 5.45% Sr. Unsec. Nts., 6/9/44	250,000	265,103
Hudbay Minerals, Inc., 7.625% Sr. Unsec. Nts., 1/15/25 <sup>1</sup>	505,000	531,512
JSW Steel Ltd., 4.75% Sr. Unsec. Nts., 11/12/19	1,025,000	1,023,078
Kinross Gold Corp., 4.50% Sr. Unsec. Nts., 7/15/27 <sup>1</sup>	450,000	415,125
Metinvest BV, 7.75% Sr. Unsec. Nts., 4/23/23 <sup>1</sup>	515,000	484,383
Mountain Province Diamonds, Inc., 8.00% Sec. Nts., 12/15/22 <sup>1</sup>	335,000	335,000
Northwest Acquisitions ULC/Dominion Finco, Inc., 7.125% Sec. Nts., 11/1/22 <sup>1</sup>	715,000	715,000
Southern Copper Corp., 7.50% Sr. Unsec. Nts., 7/27/35	975,000	1,193,439
SunCoke Energy Partners LP/SunCoke Energy Partners Finance Corp., 7.50% Sr. Unsec. Nts., 6/15/25 <sup>1</sup>	330,000	337,425
Teck Resources Ltd.:		
5.20% Sr. Unsec. Nts., 3/1/42	1,065,000	938,531
6.125% Sr. Unsec. Nts., 10/1/35	335,000	338,350
United States Steel Corp.:		
6.25% Sr. Unsec. Nts., 3/15/26	140,000	138,863
6.875% Sr. Unsec. Nts., 8/15/25	530,000	535,804
Vedanta Resources plc, 6.375% Sr. Unsec. Nts., 7/30/22 <sup>1</sup>	535,000	510,925
Zekelman Industries, Inc., 9.875% Sr. Sec. Nts., 6/15/23 <sup>8</sup>	275,000	301,813
		19,699,730
<b>Paper &amp; Forest Products—0.1%</b>		
Clearwater Paper Corp., 5.375% Sr. Unsec. Nts., 2/1/25 <sup>1</sup>	245,000	223,256
Louisiana-Pacific Corp., 4.875% Sr. Unsec. Nts., 9/15/24	255,000	251,175
Mercer International, Inc.:		
5.50% Sr. Unsec. Nts., 1/15/26 <sup>1</sup>	250,000	243,125
6.50% Sr. Unsec. Nts., 2/1/24	165,000	167,475
Suzano Austria GmbH, 5.75% Sr. Unsec. Nts., 7/14/26 <sup>1</sup>	1,120,000	1,135,792
		2,020,823
<b>Telecommunication Services—2.2%</b>		
<b>Diversified Telecommunication Services—1.2%</b>		
AT&T, Inc., 4.35% Sr. Unsec. Nts., 6/15/45	763,000	649,004
Axtel SAB de CV, 6.375% Sr. Unsec. Nts., 11/14/24 <sup>1</sup>	1,040,000	989,300
CB Escrow Corp., 8.00% Sr. Unsec. Nts., 10/15/25 <sup>1</sup>	265,000	248,437
CenturyLink, Inc.:		
5.625% Sr. Unsec. Nts., 4/1/25	785,000	743,787
6.15% Sr. Unsec. Nts., Series Q, 9/15/19	340,000	347,650
6.45% Sr. Unsec. Nts., Series S, 6/15/21	615,000	635,400
7.50% Sr. Unsec. Nts., Series Y, 4/1/24	1,065,000	1,096,950
Cincinnati Bell Telephone Co. LLC,		
6.30% Sr. Unsec. Nts., 12/1/28	520,000	501,800

	Principal Amount	Value
<b>Diversified Telecommunication Services (Continued)</b>		
Frontier Communications Corp.:		
8.50% Sec. Nts., 4/1/26 <sup>1</sup>	\$ 1,100,000	\$ 1,065,625
8.75% Sr. Unsec. Nts., 4/15/22	590,000	501,500
10.50% Sr. Unsec. Nts., 9/15/22	1,315,000	1,199,937
GCI LLC, 6.75% Sr. Unsec. Nts., 6/1/21	140,000	141,575
Intelsat Jackson Holdings SA:		
5.50% Sr. Unsec. Nts., 8/1/23	255,000	229,423
7.25% Sr. Unsec. Nts., 10/15/20	830,000	830,000
Intelsat Luxembourg SA, 7.75% Sr. Unsec. Nts., 6/1/21	565,000	528,275
Level 3 Financing, Inc.:		
5.25% Sr. Unsec. Nts., 3/15/26	1,195,000	1,139,552
5.625% Sr. Unsec. Nts., 2/1/23	375,000	375,937
Qwest Capital Funding, Inc., 7.75% Sr. Unsec. Nts., 2/15/31	260,000	233,438
Qwest Corp., 6.875% Sr. Unsec. Nts., 9/15/33	785,000	737,684
T-Mobile USA, Inc.:		
4.00% Sr. Unsec. Nts., 4/15/22	780,000	773,994
4.50% Sr. Unsec. Nts., 2/1/26	245,000	229,075
4.75% Sr. Unsec. Nts., 2/1/28	250,000	231,563
5.125% Sr. Unsec. Nts., 4/15/25	780,000	785,850
5.375% Sr. Unsec. Nts., 4/15/27	390,000	380,250
6.00% Sr. Unsec. Nts., 4/15/24	985,000	1,021,938
6.50% Sr. Unsec. Nts., 1/15/26	825,000	851,565
Windstream Services LLC/Windstream Finance Corp.:		
8.625% Sr. Sec. Nts., 10/31/25	772,000	737,260
8.75% Sr. Unsec. Nts., 12/15/24	373,000	237,788
Zayo Group LLC/Zayo Capital, Inc.:		
5.75% Sr. Unsec. Nts., 1/15/27 <sup>1</sup>	265,000	261,025
6.00% Sr. Unsec. Nts., 4/1/23	1,205,000	1,232,113
		18,937,695
<b>Wireless Telecommunication Services—1.0%</b>		
C&W Senior Financing DAC, 6.875% Sr. Unsec. Nts., 9/15/27 <sup>1</sup>	600,000	576,750
Digicel Group Ltd., 8.25% Sr. Unsec. Nts., 9/30/20 <sup>1</sup>	425,000	322,469
Sprint Capital Corp., 6.875% Sr. Unsec. Nts., 11/15/28	1,192,158	1,147,452
Sprint Communications, Inc.:		
6.00% Sr. Unsec. Nts., 11/15/22	1,979,000	1,966,631
7.00% Sr. Unsec. Nts., 3/1/20 <sup>1</sup>	850,000	884,000
Sprint Corp.:		
7.125% Sr. Unsec. Nts., 6/15/24	2,505,000	2,535,285
7.625% Sr. Unsec. Nts., 3/1/26	830,000	847,638
7.875% Sr. Unsec. Nts., 9/15/23	2,075,000	2,156,703
Telefonica Europe BV, 5.875% [EUSA10+430.1] Jr. Sub. Perpetual Bonds <sup>2,10</sup>	EUR 1,410,000	1,797,459
Trilogy International Partners LLC/Trilogy International Finance, Inc., 8.875% Sr. Sec. Nts., 5/1/22 <sup>8</sup>	685,000	695,275
Turkcell Iletisim Hizmetleri AS, 5.80% Sr. Unsec. Nts., 4/11/28 <sup>1</sup>	705,000	640,620
VEON Holdings BV, 4.95% Sr. Unsec. Nts., 6/16/24 <sup>1</sup>	975,000	924,300
Wand Merger Corp., 8.125% Sr. Unsec. Nts., 7/15/23 <sup>1,5</sup>	415,000	421,744
Wind Tre SpA, 5.00% Sr. Sec. Nts., 1/20/26	805,000	642,157
		15,558,483
<b>Utilities—1.6%</b>		
<b>Electric Utilities—0.8%</b>		
Capex SA, 6.875% Sr. Unsec. Nts., 5/15/24 <sup>1</sup>	450,000	403,479
Enel Chile SA, 4.875% Sr. Unsec. Nts., 6/12/28	795,000	802,552

	Principal Amount	Value
<b>Electric Utilities (Continued)</b>		
Eskom Holdings SOC Ltd.:		
5.75% Sr. Unsec. Nts., 1/26/21 <sup>1</sup>	\$ 995,000	\$ 962,778
6.75% Sr. Unsec. Nts., 8/6/23 <sup>1</sup>	2,535,000	2,427,567
Intelsat Jackson Holdings SA:		
7.50% Sr. Unsec. Nts., 4/1/21	205,000	204,487
8.00% Sr. Sec. Nts., 2/15/24 <sup>1</sup>	615,000	647,287
9.75% Sr. Unsec. Nts., 7/15/25 <sup>1</sup>	790,000	835,425
Light Servicos de Eletricidade SA/Light Energia SA, 7.25% Sr. Unsec. Nts., 5/3/23 <sup>1</sup>	965,000	911,925
NextEra Energy Capital Holdings, Inc., 4.80% [US0003M+240.9] Jr. Sub. Nts., 12/1/77 <sup>2</sup>	665,000	621,336
NextEra Energy Operating Partners LP, 4.50% Sr. Unsec. Nts., 9/15/27 <sup>1</sup>	125,000	117,344
Perusahaan Listrik Negara PT, 6.15% Sr. Unsec. Nts., 5/21/48 <sup>1</sup>	3,805,000	3,853,538
PPL Capital Funding, Inc., 4.999% [US0003M+266.5] Jr. Sub. Nts., 3/30/67 <sup>2</sup>	352,000	353,760
Rockpoint Gas Storage Canada Ltd., 7.00% Sr. Sec. Nts., 3/31/23 <sup>1</sup>	365,000	366,825
		12,508,303

#### Gas Utilities—0.2%

AmeriGas Partners LP/AmeriGas Finance Corp., 5.50% Sr. Unsec. Nts., 5/20/25	550,000	535,562
Ferrellgas Partners LP/Ferrellgas Partners Finance Corp., 8.625% Sr. Unsec. Nts., 6/15/20	85,000	82,238
Gas Natural Fenosa Finance BV, 4.125% [EUSA8+335.3] Jr. Sub. Perpetual Bonds <sup>2,10</sup>	EUR 1,410,000	1,719,145
Suburban Propane Partners LP/Suburban Energy Finance Corp., 5.875% Sr. Unsec. Nts., 3/1/27	645,000	606,300
		2,943,245

#### Independent Power and Renewable Electricity Producers—0.5%

AES Andres BV/Dominican Power Partners/Empresa Generadora de Electricidad Itabo SA, 7.95% Sr. Unsec. Nts., 5/11/26 <sup>1</sup>	540,000	558,900
AES Corp.:		
4.00% Sr. Unsec. Nts., 3/15/21	275,000	274,312
6.00% Sr. Unsec. Nts., 5/15/26	540,000	561,600
Azure Power Energy Ltd., 5.50% Sr. Sec. Nts., 11/3/22 <sup>1</sup>	420,000	385,350
Calpine Corp.:		
5.25% Sr. Sec. Nts., 6/1/26 <sup>1</sup>	1,090,000	1,031,412
5.75% Sr. Unsec. Nts., 1/15/25	1,325,000	1,214,859
5.875% Sr. Sec. Nts., 1/15/24 <sup>1</sup>	275,000	272,937
Drax Finco plc, 6.625% Sr. Sec. Nts., 11/1/25 <sup>1</sup>	275,000	274,313
NRG Energy, Inc.:		
5.75% Sr. Unsec. Nts., 1/15/28 <sup>1</sup>	330,000	325,050
6.625% Sr. Unsec. Nts., 1/15/27	665,000	686,613
7.25% Sr. Unsec. Nts., 5/15/26	720,000	770,400
Talen Energy Supply LLC, 4.60% Sr. Unsec. Nts., 12/15/21	535,000	464,113
Vistra Energy Corp., 8.00% Sr. Unsec. Nts., 1/15/25 <sup>1</sup>	495,000	533,833
		7,353,692

#### Multi-Utilities—0.1%

AssuredPartners, Inc., 7.00% Sr. Unsec. Nts., 8/15/25 <sup>1</sup>	330,000	318,450
Crestwood Midstream Partners LP/Crestwood Midstream Finance Corp., 6.25% Sr. Unsec. Nts., 4/1/23	265,000	271,625

	Principal Amount	Value
<b>Multi-Utilities (Continued)</b>		
InterGen NV, 7.00% Sr. Sec. Nts., 6/30/23 <sup>1</sup>	\$ 210,000	\$ 207,375
NGPL PipeCo LLC:		
4.875% Sr. Unsec. Nts., 8/15/27 <sup>1</sup>	395,000	391,544
7.768% Sr. Unsec. Nts., 12/15/37 <sup>1</sup>	650,000	767,000
Superior Plus LP/Superior General Partner, Inc., 7.00% Sr. Unsec. Nts., 7/15/26 <sup>1</sup>	275,000	278,094
WEC Energy Group, Inc., 4.455% [US0003M+211.25] Jr. Sub. Nts., 5/15/67 <sup>2</sup>	22,000	21,808
		2,255,896

#### Water Utilities—0.0%

Aegea Finance Sarl, 5.75% Sr. Unsec. Nts., 10/10/24 <sup>1</sup>	625,000	580,938
Total Corporate Bonds and Notes (Cost \$634,997,990)		615,894,036

#### Shares

#### Preferred Stocks—1.4%

Allstate Corp. (The), 6.625% Non-Cum., Non-Vtg.	12,600	325,710
American Homes 4 Rent, 6.35% Cum., Non-Vtg.	4,200	105,546
American Homes 4 Rent, 6.50% Cum. Cv., Series D, Non-Vtg.	13,000	329,550
Citigroup Capital XIII, 7.75% Cum., Non-Vtg. [US0003M+637] <sup>2</sup>	61,700	1,672,070
Digital Realty Trust, Inc., 6.625% Cum., Series C, Non-Vtg.	3,900	102,960
Digital Realty Trust, Inc., 7.375% Cum., Non-Vtg.	25,600	666,624
DTE Energy Co., 5.375% Jr. Sub., Non-Vtg.	25,000	631,000
eBay, Inc., 6.00% Cv.	25,700	675,910
Fifth Third Bancorp, 6.625% Non-Cum., Non-Vtg. [US0003M+371] <sup>2</sup>	21,900	593,709
First Republic Bank, 7.00% Non-Cum.	24,200	622,182
GMAC Capital Trust I, 7.20% Jr. Sub., Non-Vtg. [US0003M+578.5] <sup>2</sup>	61,325	1,612,847
Goldman Sachs Group, Inc. (The), 6.30% Non-Cum., Series N, Non-Vtg.	49,575	1,320,678
Huntington Bancshares, Inc., 6.25% Non-Cum., Non-Vtg.	24,925	651,041
KeyCorp, 6.125% Non-Cum., Non-Vtg. [US0003M+389.2] <sup>2</sup>	53,125	1,417,375
Morgan Stanley, 5.85% Non-Cum., Non-Vtg. [US0003M+349.1] <sup>2</sup>	35,475	911,353
Morgan Stanley, 6.375% Non-Cum., Non-Vtg. [US0003M+370.8] <sup>2</sup>	49,650	1,333,599
Northern Trust Corp., 5.85% Non-Cum., Non-Vtg.	13,150	358,601
PNC Financial Services Group, Inc. (The), 6.125% Non-Cum., Non-Vtg. [US0003M+406.7] <sup>2</sup>	49,500	1,358,775
Prudential Financial, Inc., 5.75% Jr. Sub.	10,125	259,301
Public Storage, 5.20% Cum., Series X, Non-Vtg.	25,450	639,050
Qwest Corp., 7.00% Sr. Unsec.	30,500	746,030
Senior Housing Properties Trust, 5.625% Sr. Unsec.	13,925	345,340
Senior Housing Properties Trust, 6.25% Sr. Unsec., Non-Vtg.	6,375	163,965
State Street Corp., 6.00% Non-Cum., Non-Vtg.	38,875	1,014,638
Synovus Financial Corp., 6.30% Non-Cum., Series D, Non-Vtg. [US0003M+335.2] <sup>2,15</sup>	24,374	624,949
US Bancorp, 6.50% Non-Cum., Non-Vtg. [US0003M+446.8] <sup>2</sup>	57,900	1,603,830
Ventas Realty LP/Ventas Capital Corp., 5.45% Sr. Unsec.	26,825	671,966

# CONSOLIDATED STATEMENT OF INVESTMENTS Unaudited / Continued

	Shares	Value
<b>Preferred Stocks (Continued)</b>		
Wells Fargo & Co., 6.625% Non-Cum.. Non-Vtg. [US0003M+369] <sup>2</sup>	26,450	\$ 727,375
Total Preferred Stocks (Cost \$21,843,420)		21,485,974

<b>Common Stocks—0.0%</b>		
Arco Capital Corp. Ltd. <sup>1,11,13,15</sup>	690,638	—
JSC Astana Finance, GDR <sup>8,13,15</sup>	446,838	—
Kinross Gold Corp. <sup>15</sup>	52,267	196,524
Premier Holdings Ltd. <sup>13,15</sup>	18,514	—
Quicksilver Resources, Inc. <sup>13,15</sup>	4,151,000	78,263
Sabine Oil <sup>15</sup>	822	41,922
Targa Resources Corp.	2,631	130,208
Valeant Pharmaceuticals International, Inc. <sup>15</sup>	8,753	203,420
Total Common Stocks (Cost \$4,941,888)		650,337

	Units	
<b>Rights, Warrants and Certificates—0.0%</b>		
Affinion Group Wts., Strike Price \$1, Exp. 11/10/22 <sup>13,15</sup>	8,584	128,945
Sabine Oil Tranche 1 Wts., Strike Price \$4.49, Exp. 8/11/26 <sup>15</sup>	2,611	16,971
Sabine Oil Tranche 2 Wts., Strike Price \$2.72, Exp. 8/11/26 <sup>15</sup>	465	2,557
Total Rights, Warrants and Certificates (Cost \$420,786)		148,473

	Principal Amount	
<b>Structured Securities—0.2%</b>		
Deutsche Bank AG, Coriolanus Ltd. Sec. Credit Linked Bonds: 3.003% Sr. Sec. Nts., 4/30/25 <sup>1,16</sup>	\$ 949,577	400,946

	Principal Amount	Value
<b>Structured Securities (Continued)</b>		
Deutsche Bank AG, Coriolanus Ltd. Sec. Credit Linked Bonds: (Continued)		
3.054% Sr. Sec. Nts., 4/30/25 <sup>1,16</sup>	\$ 1,209,908	\$ 510,867
3.098% Sr. Sec. Nts., 4/30/25 <sup>1,16</sup>	1,044,562	441,052
3.131% Sr. Sec. Nts., 4/30/25 <sup>1,16</sup>	933,706	394,245
3.179% Sr. Sec. Nts., 4/30/25 <sup>1,16</sup>	1,162,540	490,866
3.231% Sr. Sec. Nts., 4/30/25 <sup>1,16</sup>	1,326,863	560,249
3.265% Sr. Sec. Nts., 4/30/25 <sup>1,16</sup>	1,060,008	447,574
3.346% Sr. Sec. Nts., 4/30/25 <sup>1,16</sup>	996,363	420,700

Morgan Stanley, Russian Federation		
Total Return Linked Bonds, Series 007, Cl. VR, 5.00%, 8/22/34	RUB 27,021,516	105,476
Total Structured Securities (Cost \$8,137,822)		3,771,975

<b>Short-Term Notes—0.4%</b>		
Arab Republic of Egypt Treasury Bills:		
16.013%, 3/5/19 <sup>16</sup>	EGP 50,000,000	2,478,743
18.370%, 8/14/18 <sup>16</sup>	EGP 80,500,000	4,399,174
Total Short-Term Notes (Cost \$7,032,999)		6,877,917

	Shares	
<b>Investment Companies—26.4%</b>		
Oppenheimer Institutional Government Money Market Fund, Cl. E, 1.85% <sup>17,18</sup>	92,933,810	92,933,810
Oppenheimer Master Event-Linked Bond Fund, LLC <sup>18</sup>	2,140,983	33,244,218
Oppenheimer Master Loan Fund, LLC <sup>18</sup>	13,622,237	234,501,609
Oppenheimer Ultra-Short Duration Fund, Cl. Y <sup>18</sup>	10,114,576	50,572,880
Total Investment Companies (Cost \$414,230,496)		411,252,517

	Counterparty	Exercise Price	Expiration Date	Contracts	Notional Amount (000's)
<b>Over-the-Counter Options Purchased—0.2%</b>					
BRL Currency Call <sup>15</sup>	GSCO-OT	BRL 3.150	5/20/19	BRL 424,096	BRL 5,000 41,956
BRL Currency Call <sup>15</sup>	CITNA-B	BRL 3.608	8/27/18	BRL 25,252,500	BRL 360,750 19,646
BRL Currency Call <sup>15</sup>	JPM	BRL 3.150	5/20/19	BRL 424,096	BRL 5,000 41,956
BRL Currency Call <sup>15</sup>	JPM	BRL 3.000	5/16/19	BRL 550,000	BRL 5,000 22,857
BRL Currency Call <sup>15</sup>	GSCO-OT	BRL 3.300	8/16/18	BRL 550,000	BRL 5,500 5,192
BRL Currency Call <sup>15</sup>	JPM	BRL 3.200	4/25/19	BRL 48,000,000	BRL 482,560 49,728
BRL Currency Call <sup>15</sup>	GSCO-OT	BRL 3.656	6/7/19	BRL 82,693,000	BRL 731,200 562,809
BRL Currency Call <sup>15</sup>	JPM	BRL 3.514	8/2/18	BRL 99,187,204	BRL 351,400 11,208
BRL Currency Call <sup>15</sup>	CITNA-B	BRL 3.200	4/25/19	BRL 48,000,000	BRL 512,000 49,728
CAD Currency Call <sup>15</sup>	TDB	CAD 1.268	8/15/18	CAD 26,876,432	CAD 190,200 22,657
CLP Currency Call <sup>15</sup>	JPM	CLP 624.550	8/20/18	CLP 10,593,027,484	CLP 93,682,500 31,779
COP Currency Call <sup>15</sup>	GSCO-OT	COP 2851.000	8/21/18	COP 48,364,000,000	COP 427,650,000 145,092
COP Currency Call <sup>15</sup>	CITNA-B	COP 2781.000	8/13/18	COP 39,269,131,700	COP 278,100,000 39,269
COP Currency Call <sup>15</sup>	JPM	COP 2774.500	8/13/18	COP 39,177,348,401	COP 277,450,000 39,177
EUR Currency Put <sup>15</sup>	GSCO-OT	EUR 316.600	9/4/18	EUR 22,620,000	EUR 210,000 29,242
EUR Currency Put <sup>15</sup>	GSCO-OT	EUR 80.300	9/26/18	EUR 11,300,000	EUR 100,000 114,147
EUR Currency Put <sup>15</sup>	BOA	EUR 9.250	4/29/20	EUR 2,800,000	EUR 10,000 548,274
IDR					
IDR Currency Call <sup>15</sup>	GSCO-OT	IDR 13500.000	2/1/19	IDR 351,000,000,000	2,704,725,000 —
INR Currency Call <sup>15</sup>	GSCO-OT	INR 65.500	10/15/18	INR 982,500,000	INR 6,550,000 10,807
INR Currency Call <sup>15</sup>	GSCO-OT	INR 64.800	7/3/18	INR 915,500,000	INR 6,480,000 —
INR Currency Call <sup>15</sup>	GSCO-OT	INR 68.750	8/27/18	INR 770,000,000	INR 6,875,000 94,710
RUB Currency Call <sup>15</sup>	JPM	RUB 59.500	6/7/19	RUB 1,682,200,000	RUB 14,875,000 459,241
TRY Currency Put <sup>15</sup>	JPM	TRY 4.000	5/23/19	TRY 710,000	TRY 10,000 37,943
ZAR Currency Call <sup>15</sup>	CITNA-B	ZAR 12.485	8/17/18	ZAR 209,750,000	ZAR 1,872,750 14,053
ZAR Currency Call <sup>15</sup>	GSCO-OT	ZAR 12.469	5/27/19	ZAR 87,279,500	ZAR 1,246,850 74,449
ZAR Currency Call <sup>15</sup>	GSCO-OT	ZAR 12.484	9/7/18	ZAR 88,214,600	ZAR 936,263 11,203
Total Over-the-Counter Options Purchased (Cost \$5,848,603)					2,477,123

	Counterparty	Buy /Sell Protection	Reference Asset	Fixed Rate	Expiration Date	Notional Amount (000's)	
<b>Over-the-Counter Credit Default Swaption Purchased—0.1%</b>							
Credit Default Swap maturing 6/20/23 Call <sup>15</sup> (Cost \$771,133)	JPM	Buy	CDX.NA.HY.30	105.000%	9/19/18	USD 56,486	662,581



	Counterparty	Pay / Receive	Floating Rate	Floating Rate	Fixed Rate	Expiration Date	Notional Amount (000's)	Value
<b>Over-the-Counter Interest Rate Swaptions Purchased—0.2%</b>								
Interest Rate Swap maturing 12/24/48 Call <sup>15</sup>	BAC	Receive	EUR-EURIBOR-Reuters	Six-Month	1.690%	12/20/18	EUR 6,090 \$	67,893
Interest Rate Swap maturing 12/27/48 Call <sup>15</sup>	GSCO-OT	Receive	USD-LIBOR-BBA	Three-Month	3.200	12/21/18	USD 28,300	426,187
Interest Rate Swap maturing 4/26/49 Call <sup>15</sup>	GSCO-OT	Receive	EUR-EURIBOR-Reuters	Six-Month	1.635	4/24/19	EUR 2,190	63,536
Interest Rate Swap maturing 4/26/49 Call <sup>15</sup>	BAC	Receive	EUR-EURIBOR-Reuters	Six-Month	1.637	4/24/19	EUR 3,530	101,670
Interest Rate Swap maturing 7/26/28 Call <sup>15</sup>	JPM	Receive	EUR-EURIBOR-Reuters	Six-Month	1.108	7/24/18	EUR 17,425	2,926
Interest Rate Swap maturing 4/25/21 Call <sup>15</sup>	BOA	Pay	USD-LIBOR-BBA	Three-Month	2.980	4/23/19	USD 124,305	524,652
Interest Rate Swap maturing 5/13/21 Call <sup>15</sup>	BAC	Pay	USD-LIBOR-BBA	Three-Month	3.045	5/9/19	USD 228,755	1,136,814
Interest Rate Swap maturing 5/16/21 Call <sup>15</sup>	GSCO-OT	Pay	USD-LIBOR-BBA	Three-Month	3.023	5/14/19	USD 141,275	675,604
Total Over-the-Counter Interest Rate Swaptions Purchased (Cost \$2,960,364)								2,999,282
<b>Total Investments, at Value (Cost \$1,750,889,264)</b>							108.7%	1,693,944,138
<b>Net Other Assets (Liabilities)</b>							(8.7)	(135,438,286)
<b>Net Assets</b>							<b>100.0% \$</b>	<b>1,558,505,852</b>

### Consolidated Footnotes to Statement of Investments

1. Represents securities sold under Rule 144A, which are exempt from registration under the Securities Act of 1933, as amended. These securities have been determined to be liquid under guidelines established by the Board of Trustees. These securities amount to \$442,043,754 or 28.36% of the Fund's net assets at period end.
2. Represents the current interest rate for a variable or increasing rate security, determined as [Referenced Rate + Basis-point spread].
3. Interest-Only Strips represent the right to receive the monthly interest payments on an underlying pool of mortgage loans. These securities typically decline in price as interest rates decline. Most other fixed income securities increase in price when interest rates decline. The principal amount of the underlying pool represents the notional amount on which current interest is calculated. The price of these securities is typically more sensitive to changes in prepayment rates than traditional mortgage-backed securities (for example, GNMA pass-throughs). Interest rates disclosed represent current yields based upon the current cost basis and estimated timing and amount of future cash flows. These securities amount to \$3,348,681 or 0.21% of the Fund's net assets at period end.
4. Interest rate is less than 0.0005%.
5. All or a portion of the security position is when-issued or delayed delivery to be delivered and settled after period end. See Note 4 of the accompanying Consolidated Notes.
6. This interest rate resets periodically. Interest rate shown reflects the rate in effect at period end. The rate on this variable rate security is not based on a published reference rate and spread but is determined by the issuer or agent based on current market conditions.
7. This security is not accruing income because the issuer has missed an interest payment on it and/or is not anticipated to make future interest and or principal payments. The rate shown is the contractual interest rate. See Note 4 of the accompanying Consolidated Notes.
8. Restricted security. The aggregate value of restricted securities at period end was \$7,077,351, which represents 0.45% of the Fund's net assets. See Note 4 of the accompanying Consolidated Notes. Information concerning restricted securities is as follows:

Security	Acquisition Dates	Cost	Value	Unrealized Appreciation/ (Depreciation)
Affinion Group, Inc., 12.50% Sr. Unsec. Nts., 11/10/22	11/8/10-5/10/18	\$ 1,113,679	\$ 1,131,820	\$ 18,141
Concordia International Corp., 7.00% Sr. Unsec. Nts., 4/15/23	4/13/15	585,000	36,562	(548,438)
Cooper-Standard Automotive, Inc., 5.625% Sr. Unsec. Nts., 11/15/26	5/2/17	254,609	247,500	(7,109)
Diamond Resorts International, Inc., 10.75% Sr. Unsec. Nts., 9/1/24	1/13/17	590,000	635,548	45,548
Fideicomiso PA Pacifico Tres, 8.25% Sr. Sec. Nts., 1/15/35	2/12/16-11/21/17	535,408	568,650	33,242
Harland Clarke Holdings Corp., 6.875% Sr. Sec. Nts., 3/1/20	1/27/14-3/2/17	838,324	828,737	(9,587)
JPMorgan Hipotecaria su Casita, 6.47% Sec. Nts., 8/26/35	3/21/07	528,826	27,558	(501,268)
JSC Astana Finance, GDR	6/5/15	—	—	—
LBC Tank Terminals Holding Netherlands BV, 6.875% Sr. Unsec. Nts., 5/15/23	4/17/14	489,584	482,125	(7,459)
Taylor Morrison Communities, Inc./Taylor Morrison Holdings II, Inc., 5.875% Sr. Unsec. Nts., 4/15/23	1/22/16-3/1/17	1,119,437	1,160,000	40,563
TMS International Corp., 7.25% Sr. Unsec. Nts., 8/15/25	8/9/17	265,000	271,625	6,625
Trilogy International Partners LLC/Trilogy International Finance, Inc., 8.875% Sr. Sec. Nts., 5/1/22	4/21/17	681,616	695,275	13,659
West Corp., 5.375% Sr. Unsec. Nts., 7/15/22	10/30/14-11/3/14	674,113	690,138	16,025
Zekelman Industries, Inc., 9.875% Sr. Sec. Nts., 6/15/23	12/8/16	295,269	301,813	6,544
		<b>\$ 7,970,865</b>	<b>\$ 7,077,351</b>	<b>\$ (893,514)</b>

9. Interest or dividend is paid-in-kind, when applicable.
10. This bond has no contractual maturity date, is not redeemable and contractually pays an indefinite stream of interest.
11. Security received as the result of issuer reorganization.

## CONSOLIDATED STATEMENT OF INVESTMENTS Unaudited / Continued

### Consolidated Footnotes to Statement of Investments (Continued)

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

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

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

15. Non-income producing security.

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

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

18. Is or was an affiliate, as defined in the Investment Company Act of 1940, as amended, at or during the reporting period, by virtue of the Fund owning at least 5% of the voting securities of the issuer or as a result of the Fund and the issuer having the same investment adviser. Transactions during the reporting period in which the issuer was an affiliate are as follows:

	Shares December 31, 2017	Gross Additions	Gross Reductions	Shares June 30, 2018
Oppenheimer Institutional Government Money Market Fund, Cl. E	41,765,253	389,516,705	338,348,148	92,933,810
Oppenheimer Master Event-Linked Bond Fund, LLC	2,520,983	—	380,000	2,140,983
Oppenheimer Master Loan Fund, LLC	14,397,097	—	774,860	13,622,237
Oppenheimer Ultra-Short Duration Fund, Cl. Y	27,024,582	129,994	17,040,000	10,114,576
	Value	Income	Realized Gain (Loss)	Change in Unrealized Gain (Loss)
Oppenheimer Institutional Government Money Market Fund, Cl. E	\$ 92,933,810	\$ 532,241	\$ —	\$ —
Oppenheimer Master Event-Linked Bond Fund, LLC	33,244,218	1,193,220 <sup>a</sup>	(345,407) <sup>a</sup>	(133,613) <sup>a</sup>
Oppenheimer Master Loan Fund, LLC	234,501,609	6,385,214 <sup>b</sup>	527,557 <sup>b</sup>	(1,570,565) <sup>b</sup>
Oppenheimer Ultra-Short Duration Fund, Cl. Y	50,572,880	657,092	(170,400)	(99,687)
Total	<b>\$ 411,252,517</b>	<b>\$ 8,767,767</b>	<b>\$ 11,750</b>	<b>\$ (1,803,865)</b>

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

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

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

Geographic Holdings	Value	Percent
United States	\$ 1,177,330,295	69.3%
India	42,578,325	2.6
Brazil	40,638,333	2.5
Indonesia	32,733,379	1.9
South Africa	27,989,660	1.8
Mexico	26,850,222	1.7
Argentina	23,702,479	1.4
Greece	22,281,368	1.3
United Kingdom	21,973,487	1.3
Canada	20,633,807	1.0
Turkey	17,323,098	1.0
Kazakhstan	16,105,883	1.0
France	15,967,277	0.9
Spain	14,849,484	0.9
Egypt	14,327,650	0.8
Peru	12,744,037	0.8
Colombia	11,393,691	0.7
Ukraine	10,438,213	0.6
Dominican Republic	10,276,971	0.6
Russia	9,242,862	0.5
Luxembourg	8,536,116	0.5
Chile	8,364,145	0.5
Netherlands	7,055,606	0.4
Sri Lanka	7,003,839	0.4
Poland	6,729,577	0.4
Switzerland	6,494,437	0.4
Thailand	6,339,690	0.4
Ivory Coast	4,886,049	0.3
Angola	4,514,136	0.3
Ghana	3,822,377	0.2
Nigeria	3,605,892	0.2
Ireland	3,403,884	0.2
Italy	3,336,495	0.2
Uruguay	3,251,399	0.2
China	3,131,211	0.2
Hungary	3,120,659	0.2
Singapore	3,038,863	0.2
Oman	3,021,427	0.2
Israel	2,485,466	0.2
Ecuador	2,420,584	0.1
Gabon	2,394,665	0.1
Bermuda	2,305,769	0.1
Serbia	1,986,283	0.1

**Geographic Holdings (Continued)**

	Value	Percent
United Arab Emirates	\$ 1,901,849	0.1%
Senegal	1,836,534	0.1
Croatia	1,817,265	0.1
New Zealand	1,754,628	0.1
Romania	1,555,098	0.1
Iraq	1,516,941	0.1
Australia	1,485,570	0.1
Hong Kong	1,259,779	0.1
Cayman Islands	1,226,467	0.1
Belgium	1,217,637	0.1
Honduras	1,012,246	0.1
Morocco	1,011,853	0.1
Mongolia	945,981	0.1
Eurozone	927,688	0.1
Portugal	684,188	0.0
Panama	639,280	0.0
Belarus	534,274	0.0
Zambia	530,062	0.0
Mauritius	484,800	0.0
Jamaica	322,469	0.0
Trinidad and Tobago	272,594	0.0
Macau	258,484	0.0
Bahamas	119,361	0.0
<b>Total</b>	<b>\$ 1,693,944,138</b>	<b>100.0%</b>

**Forward Currency Exchange Contracts as of June 30, 2018**

Counterparty	Settlement Month(s)	Currency Purchased (000's)	Currency Sold (000's)	Unrealized Appreciation	Unrealized Depreciation
BAC	07/2018 - 08/2018	BRL 10,050	USD 2,699	\$ —	\$ 113,937
BAC	02/2019	IDR 260,657,000	USD 18,139	—	507,493
BAC	08/2018	NOK 147,320	USD 18,210	—	77,621
BAC	09/2018	PLN 48,665	USD 13,468	—	458,567
BAC	07/2018	USD 1,273	BRL 4,910	6,555	—
BAC	08/2018	USD 7,049	EUR 5,855	180,554	—
BAC	09/2018	USD 3,819	KRW 4,098,000	130,409	—
BAC	09/2018	USD 8,101	PEN 26,610	21,025	—
BAC	09/2018	USD 7,204	PLN 26,030	245,279	—
BAC	09/2018	USD 29,118	ZAR 390,790	947,182	24,138
BAC	09/2018	ZAR 9,020	USD 673	—	21,973
BOA	09/2018	HUF 25,000	USD 89	—	336
BOA	07/2018	IDR 188,087,000	USD 13,490	—	347,899
BOA	09/2018	MXN 3,600	USD 171	7,521	—
BOA	09/2018	USD 7,456	COP 21,345,000	200,066	—
BOA	08/2018	USD 42,055	EUR 35,060	925,877	—
BOA	07/2018	USD 23,551	IDR 328,372,000	607,380	—
BOA	09/2018	USD 38,691	INR 2,648,000	435,984	—
BOA	09/2018	USD 1,626	TRY 7,760	—	7,329
CITNA-B	07/2018 - 04/2019	BRL 71,387	USD 19,792	—	1,667,309
CITNA-B	07/2018 - 08/2018	COP 37,063,400	USD 12,746	—	127,942
CITNA-B	09/2018	PLN 470	USD 130	—	3,922
CITNA-B	09/2018	THB 2,400	USD 75	—	2,320
CITNA-B	10/2018	UAH 87,000	USD 3,039	110,449	—
CITNA-B	07/2018 - 04/2019	USD 13,046	BRL 48,379	666,772	—
CITNA-B	09/2018	USD 7,798	CLP 4,940,000	238,134	—
CITNA-B	09/2018	USD 5,441	HUF 1,475,000	185,607	—
CITNA-B	09/2018	USD 6,721	THB 215,000	215,739	—
CITNA-B	09/2018	USD 19,927	TRY 94,490	43,987	—
DEU	08/2018	EUR 5,460	USD 6,642	—	236,508
DEU	08/2018	USD 13,219	EUR 10,595	789,481	—
GSCO-OT	09/2018 - 02/2019	BRL 16,645	USD 4,592	—	370,747
GSCO-OT	09/2018	COP 496,000	USD 173	—	4,607
GSCO-OT	08/2018	EUR 595	USD 746	—	47,728
GSCO-OT	03/2019	JPY 1,353,000	USD 13,096	—	618,908
GSCO-OT	08/2018	NOK 115,885	USD 14,351	—	87,721
GSCO-OT	02/2019 - 06/2019	USD 17,406	BRL 67,410	662,282	152,535
GSCO-OT	07/2018 - 08/2018	USD 25,842	COP 74,890,000	344,572	—
GSCO-OT	08/2018	USD 14,349	EUR 11,960	318,307	—
GSCO-OT	02/2019	USD 3,500	IDR 51,957,000	—	14,532
GSCO-OT	08/2018	USD 4,690	RUB 299,500	—	58,971

# CONSOLIDATED STATEMENT OF INVESTMENTS Unaudited / Continued

## Forward Currency Exchange Contracts (Continued)

Counterparty	Settlement Month(s)	Currency Purchased (000's)	Currency Sold (000's)	Unrealized Appreciation	Unrealized Depreciation
HSBC	08/2018	EUR 600	USD 717 \$	— \$	13,016
HSBC	08/2018 - 08/2018	USD 7,810	EUR 6,415	290,301	5,363
JPM	07/2018 - 08/2018	BRL 195,570	USD 51,653	—	1,235,182
JPM	07/2018 - 08/2018	COP 48,422,600	USD 16,717	—	224,178
JPM	08/2018	EUR 6,870	USD 8,261	—	202,120
JPM	09/2018	HUF 94,000	USD 347	—	12,493
JPM	07/2018	IDR 34,944,000	USD 2,494	—	52,649
JPM	09/2018	MXN 250,000	USD 11,965	466,357	—
JPM	09/2018	RUB 299,500	USD 4,763	—	33,566
JPM	10/2018	UAH 43,450	USD 1,521	52,505	—
JPM	07/2018 - 04/2019	USD 56,558	BRL 214,464	1,397,259	—
JPM	07/2018	USD 3,701	COP 10,596,000	87,903	—
JPM	08/2018	USD 10,513	EUR 8,670	342,696	1,114
JPM	02/2019	USD 14,002	IDR 208,700,000	—	114,966
JPM	09/2018	USD 10,874	MXN 227,200	—	423,825
JPM	08/2018	USD 25,911	NOK 209,561	117,062	—
JPM	09/2018	USD 4,760	RUB 299,300	33,543	—
NOM	08/2018	USD 545	EUR 460	5,151	—
TDB	08/2018	USD 38,169	EUR 31,265	1,550,289	59,037
Total Unrealized Appreciation and Depreciation				<b>\$ 11,626,228</b>	<b>\$ 7,330,552</b>

## Futures Contracts as of June 30, 2018

Description	Buy/Sell	Expiration Date	Number of Contracts	Notional Amount (000's)	Value	Unrealized Appreciation/ (Depreciation)
Euro-BUND	Sell	9/06/18	50	EUR 9,445 \$	9,491,294 \$	(46,170)
Euro-BUXL	Sell	9/06/18	48	EUR 9,802	9,960,867	(158,861)
United States Treasury Long Bonds	Buy	9/19/18	14	USD 2,035	2,030,000	(4,852)
United States Treasury Long Bonds	Sell	9/19/18	95	USD 13,698	13,775,000	(76,878)
United States Treasury Nts., 10 yr.	Sell	9/19/18	394	USD 47,234	47,353,875	(120,239)
United States Treasury Nts., 10 yr.	Buy	9/19/18	152	USD 18,262	18,268,500	6,227
United States Treasury Nts., 2 yr.	Sell	9/28/18	587	USD 124,438	124,343,110	95,314
United States Treasury Nts., 2 yr.	Buy	9/28/18	126	USD 26,734	26,690,344	(43,474)
United States Treasury Nts., 5 yr.	Buy	9/28/18	133	USD 15,096	15,111,086	14,929
United States Ultra Bonds	Buy	9/19/18	68	USD 10,666	10,850,250	183,942
						<b>\$ (150,062)</b>

## Over-the-Counter Options Written at June 30, 2018

Description	Counterparty	Exercise Price	Expiration Date	Number of Contracts	Notional Amount (000's)	Premiums Received	Value
AUD Currency Put	BOA	USD 0.747	8/9/18	AUD (37,831,542)	AUD 267,917 \$	454,402 \$	(458,859)
BRL Currency Put	CITNA-B	BRL 3.817	8/27/18	BRL (26,715,500)	BRL 381,650	92,400	(255,668)
BRL Currency Call	CITNA-B	BRL 3.438	8/27/18	BRL (24,066,000)	BRL 343,800	38,500	(3,923)
BRL Currency Put	GSCO-OT	BRL 4.590	6/7/19	BRL (103,820,000)	BRL 918,000	684,805	(637,143)
BRL Currency Call	JPM	BRL 3.354	8/2/18	BRL (94,670,997)	BRL 335,400	129,559	(5,680)
BRL Currency Put	JPM	BRL 3.748	8/2/18	BRL (105,778,045)	BRL 374,750	307,102	(1,187,570)
CAD Currency Put	TDB	CAD 1.316	8/15/18	CAD (27,891,717)	CAD 197,385	125,056	(202,243)
CAD Currency Call	TDB	CAD 1.233	8/15/18	CAD (26,123,977)	CAD 184,875	46,101	(3,788)
CLP Currency Call	JPM	CLP 603.300	8/20/18	CLP (10,232,605,045)	CLP 90,495,000	59,363	(10,233)
CLP Currency Put	JPM	CLP 654.600	8/20/18	CLP (11,102,707,215)	CLP 98,190,000	130,770	(244,259)
COP Currency Call	CITNA-B	COP 2660.000	8/13/18	COP (37,560,550,278)	COP 266,000,000	62,455	—
COP Currency Put	CITNA-B	COP 2972.000	8/13/18	COP (41,966,148,656)	COP 297,200,000	159,391	(209,831)
COP Currency Call	GSCO-OT	COP 2719.000	8/21/18	COP (46,124,600,000)	COP 407,850,000	83,462	(46,125)
COP Currency Put	GSCO-OT	COP 3024.000	8/21/18	COP (51,298,500,000)	COP 453,600,000	239,698	(153,895)
COP Currency Put	JPM	COP 2964.750	8/13/18	COP (41,863,774,976)	COP 296,475,000	153,208	(209,319)
COP Currency Call	JPM	COP 2645.500	8/13/18	COP (37,355,802,917)	COP 264,550,000	68,484	—
EUR Currency Call	GSCO-OT	ZAR 15.140	7/3/18	EUR (7,070,000)	EUR 75,000	77,535	(456,279)
EUR Currency Call	GSCO-OT	HUF 323.970	9/4/18	EUR (22,620,000)	EUR 210,000	152,951	(569,310)
EUR Currency Put	GSCO-OT	HUF 310.150	9/4/18	EUR (22,620,000)	EUR 210,000	52,809	(16,113)
EUR Currency Call	GSCO-OT	INR 83.300	9/26/18	EUR (11,300,000)	EUR 100,000	83,859	(88,018)
EUR Currency Put	GSCO-OT	INR 77.800	9/26/18	EUR (11,300,000)	EUR 100,000	40,619	(29,995)
IDR Currency Put	GSCO-OT	IDR 14000.000	5/3/18	IDR (364,000,000,000)	IDR 2,804,900,000	537,316	(1,456,000)
IDR Currency Call	GSCO-OT	IDR 12700.000	2/1/19	IDR (330,200,000,000)	IDR 2,544,445,000	126,984	—
INR Currency Call	GSCO-OT	INR 63.500	10/15/18	INR (952,500,000)	INR 6,350,000	28,500	(5,715)
INR Currency Put	GSCO-OT	INR 67.000	10/15/18	INR (1,005,000,000)	INR 6,700,000	187,500	(559,785)
INR Currency Put	GSCO-OT	INR 70.400	8/27/18	INR (788,480,000)	INR 7,040,000	71,680	(46,520)

**Over-the-Counter Options Written (Continued)**

Description	Counterparty	Exercise Price	Expiration Date		Number of Contracts	Notional Amount (000's)	Premiums Received	Value
INR Currency Call	GSCO-OT	INR 67.500	8/27/18	INR	(756,000,000)	INR 6,750,000	\$ 30,240	\$ (27,216)
KRW Currency Put	GSCO-OT	KRW 1065.000	7/3/18	KRW	(15,975,000,000)	KRW 106,500,000	181,500	(654,975)
KRW Currency Call	GSCO-OT	KRW 1020.000	7/3/18	KRW	(7,650,000,000)	KRW 51,000,000	31,500	—
MXN Currency Put	GSCO-OT	MXN 20.000	7/16/18	MXN	(150,000,000)	MXN 1,000,000	61,792	(101,700)
MXN Currency Put	JPM	MXN 20.200	8/2/18	MXN	(265,125,000)	MXN 2,020,000	151,817	(194,071)
NOK Currency Put	GSCO-OT	NOK 8.067	9/24/18	NOK	(225,865,000)	NOK 1,815,000	518,173	(588,153)
NOK Currency Put	JPM	NOK 8.085	9/25/18	NOK	(137,150,000)	NOK 1,212,750	307,616	(339,446)
RUB Currency Put	JPM	RUB 70.000	6/7/19	RUB	(1,979,100,000)	RUB 17,500,000	793,217	(851,013)
SEK Currency Put	GSCO-OT	SEK 8.606	11/22/18	SEK	(328,500,000)	SEK 2,323,485	1,124,432	(1,554,462)
TRY Currency Put	GSCO-OT	TRY 4.251	7/19/18	TRY	(30,015,000)	TRY 213,825	115,174	(579,199)
ZAR Currency Call	CITNA-B	ZAR 11.870	8/17/18	ZAR	(199,420,000)	ZAR 1,780,500	88,846	(7,578)
ZAR Currency Put	CITNA-B	ZAR 13.460	8/17/18	ZAR	(226,130,000)	ZAR 2,019,000	210,765	(628,868)
ZAR Currency Call	GSCO-OT	ZAR 11.324	5/27/19	ZAR	(79,264,500)	ZAR 1,132,350	71,911	(11,335)
ZAR Currency Put	GSCO-OT	ZAR 13.889	9/7/18	ZAR	(98,146,500)	ZAR 1,041,675	91,483	(194,919)
ZAR Currency Put	GSCO-OT	ZAR 14.646	5/27/19	ZAR	(102,522,000)	ZAR 1,464,600	187,628	(371,642)
Total Over-the-Counter Options Written							<b>\$ 8,160,603</b>	<b>\$ (12,960,848)</b>

**Centrally Cleared Credit Default Swaps at June 30, 2018**

Reference Asset	Buy/Sell Protection	Fixed Rate	Maturity Date		Notional Amount (000's)	Premiums Received/(Paid)	Value	Unrealized Appreciation/(Depreciation)
CDX.EM 29	Sell	1.000%	6/20/23	USD	1,000	\$ 40,111	\$ (39,833)	\$ 278
Federative Republic of Brazil	Sell	1.000	6/20/22	USD	2,500	154,768	(117,295)	37,473
MALAYSIA	Buy	1.000	6/20/23	USD	1,500	1,962	4,158	6,120
MALAYSIA	Buy	1.000	6/20/23	USD	1,500	7,852	4,158	12,010
Mexico Government International	Buy	1.000	6/20/23	USD	1,500	(35,200)	23,217	(11,983)
Mexico Government International	Buy	1.000	6/20/23	USD	1,000	(23,480)	15,478	(8,002)
Mexico Government International	Buy	1.000	6/20/23	USD	1,000	(20,838)	15,478	(5,360)
Mexico Government International	Buy	1.000	6/20/23	USD	1,000	(16,323)	15,478	(845)
Mexico Government International	Buy	1.000	6/20/23	USD	1,000	(21,158)	15,478	(5,680)
Mexico Government International	Buy	1.000	6/20/23	USD	1,000	(22,815)	15,478	(7,337)
Mexico Government International	Buy	1.000	6/20/23	USD	1,000	(15,878)	15,478	(400)
Mexico Government International	Buy	1.000	6/20/23	USD	1,000	(19,036)	15,478	(3,558)
Mexico Government International	Buy	1.000	6/20/23	USD	4,300	(87,696)	66,557	(21,139)
Mexico Government International	Buy	1.000	6/20/23	USD	1,000	(14,059)	15,395	1,336
Mexico Government International	Buy	1.000	6/20/23	USD	1,000	(24,118)	15,478	(8,640)
People's Republic of China	Buy	1.000	6/20/23	USD	4,500	82,220	(68,515)	13,705
Petrobras Global Finance BV	Sell	1.000	12/20/20	USD	1,000	10,178	(27,856)	(17,678)
Petrobras Global Finance BV	Sell	1.000	12/20/20	USD	1,000	10,092	(27,856)	(17,764)
Republic Of South Africa Gover	Buy	1.000	6/20/23	USD	1,000	(54,324)	50,232	(4,092)
Republic Of South Africa Gover	Buy	1.000	6/20/23	USD	2,000	(87,867)	100,464	12,597
Republic Of South Africa Gover	Buy	1.000	6/20/23	USD	850	(38,119)	42,697	4,578
Russian Foreign Bond - Eurobon	Buy	1.000	6/20/23	USD	1,500	(26,883)	27,151	268
Total Cleared Credit Default Swaps						<b>\$ (200,611)</b>	<b>\$ 176,498</b>	<b>\$ (24,113)</b>

**Over-the-Counter Credit Default Swaps at June 30, 2018**

Reference Asset	Counterparty	Buy/Sell Protection	Fixed Rate	Maturity Date		Notional Amount (000's)	Premiums Received/(Paid)	Value	Unrealized Appreciation/(Depreciation)
Eskom Holdings Soc Ltd.	GSCOI	Sell	1.000%	12/20/22	USD	1,500	\$ 124,911	\$ (211,930)	\$ (87,019)
Federative Republic of Brazil	BNP	Sell	1.000	12/20/18	USD	1,190	94,152	916	95,068
Idbi Bank Ltd./difc Dubai	BAC	Sell	1.000	12/20/22	USD	1,000	32,421	(28,350)	4,071
Idbi Bank Ltd./difc Dubai	BNP	Sell	1.000	12/20/22	USD	1,000	30,175	(28,350)	1,825
Oriental Republic of Uruguay	BOA	Sell	1.000	12/20/21	USD	2,697	48,743	20,765	69,508
State Bank of India	BNP	Sell	1.000	9/20/19	USD	1,740	71,791	13,954	85,745
Total Over-the-Counter Credit Default Swaps						<b>\$ 402,193</b>	<b>\$ (232,995)</b>	<b>\$ 169,198</b>	

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

# CONSOLIDATED STATEMENT OF INVESTMENTS Unaudited / Continued

Type of Reference Asset on which the Fund Sold Protection	Total Maximum Potential Payments for Selling Credit Protection (Undiscounted)		Amount Recoverable*	Reference Asset Rating Range** (Unaudited)
Non-Investment Grade Corporate Debt Indexes	\$	1,000,000	\$ —	BB
Investment Grade Single Name Corporate Debt		1,740,000	—	BBB-
Non-Investment Grade Single Name Corporate Debt		5,500,000	—	BB to CCC+
Investment Grade Sovereign Debt		2,697,000	—	BBB
Non-Investment Grade Sovereign Debt		3,690,000	—	BB-
Total USD	\$	14,627,000	\$ —	

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

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

## Centrally Cleared Interest Rate Swaps at June 30, 2018

Counterparty	Pay/Receive Floating Rate	Floating Rate	Fixed Rate	Maturity Date	Notional Amount (000's)	Premiums Received / (Paid)	Value	Unrealized Appreciation/ (Depreciation)
BAC	Receive	Six-Month EUR EURIBOR	1.123%	3/8/28 EUR	2,475 \$	— \$	(86,703) \$	(86,703)
BAC	Receive	Six-Month JPY BBA LIBOR	0.296	11/29/27 JPY	4,654,000	—	(258,139)	(258,139)
BNP	Pay	BZDI	7.515	1/2/19 BRL	108,825	—	106,726	106,726
BNP	Pay	BZDI	9.130	1/4/21 BRL	27,415	—	(8,475)	(8,475)
CITNA-B	Pay	Six-Month HUF BUBOR	2.205	3/8/28 HUF	825,000	—	(164,091)	(164,091)
CITNA-B	Pay	MXN TIIE BANXICO	6.600	6/21/22 MXN	134,240	—	(303,338)	(303,338)
CITNA-B	Pay	Six-Month PLN WIBOR WIBO	2.990	11/17/27 PLN	5,770	—	38,423	38,423
DEU	Pay	JIBA3M	8.310	6/29/28 ZAR	28,300	76	2,553	2,629
DEU	Receive	JIBA3M	7.120	6/29/19 ZAR	202,850	—	(1,569)	(1,569)
DEU	Pay	Three-Month ZAR JIBAR SAFEX	7.675	2/21/22 ZAR	26,465	—	7,755	7,755
GSCOI	Pay	BZDI	11.730	1/2/25 BRL	17,600	—	36,629	36,629
GSCOI	Pay	BZDI	10.875	1/4/27 BRL	15,070	—	(115,359)	(115,359)
GSCOI	Pay	EURO06M	1.553	7/4/44 EUR	4,331	—	102,606	102,606
GSCOI	Pay	BZDI	11.590	1/2/25 BRL	17,700	—	18,549	18,549
GSCOI	Pay	COOVIBR	4.610	6/7/20 COP	20,710,000	—	(33,649)	(33,649)
GSCOI	Receive	Six-Month EUR EURIBOR	1.596	4/4/28 EUR	19,200	—	(121,566)	(121,566)
GSCOI	Pay	Six-Month CHF BBA LIBOR	0.884	4/4/28 CHF	21,600	—	(34,195)	(34,195)
GSCOI	Pay	EURO06M	0.861	8/15/27 EUR	8,030	—	35,444	35,444
GSCOI	Pay	EURO06M	1.482	7/4/44 EUR	3,200	—	17,574	17,574
JPM	Pay	Six-Month HUF BUBOR	1.865	1/24/28 HUF	375,735	—	(109,196)	(109,196)
JPM	Pay	Three-Month ZAR JIBAR SAFEX	7.930	11/27/22 ZAR	15,000	—	10,737	10,737
SIB	Pay	BZDI	9.825	7/1/20 BRL	500,000	—	(273,792)	(273,792)
SIB	Pay	BZDI	11.605	1/2/25 BRL	35,330	—	40,105	40,105
Total of Centrally Cleared Interest Rate Swaps						\$ 76 \$	(1,092,971) \$	(1,092,895)

## Over-the-Counter Interest Rate Swaps at June 30, 2018

Counterparty	Pay/Receive Floating Rate	Floating Rate	Fixed Rate	Maturity Date	Notional Amount (000's)	Premiums Received / (Paid)	Value	Unrealized Appreciation/ (Depreciation)
BOA	Pay	Six-Month THB THBFIX	2.200%	3/20/22 THB	99,500 \$	— \$	36,512 \$	36,512
BOA	Pay	NSERO	6.623	3/20/20 INR	2,035,500	—	(157,383)	(157,383)
BOA	Receive	Six-Month INR FBIL MIBOR OIS Compound	6.705	3/8/23 INR	736,875	—	244,873	244,873
BOA	Pay	NSERO	6.700	3/8/20 INR	3,223,125	—	(213,311)	(213,311)
BOA	Pay	Six-Month INR FBIL MIBOR OIS Compound	6.330	1/31/22 INR	210,000	—	(73,576)	(73,576)
BOA	Receive	Six-Month INR FBIL MIBOR OIS Compound	6.620	3/20/23 INR	458,000	—	178,545	178,545

**Over-the-Counter Interest Rate Swaps (Continued)**

Counterparty	Pay/Receive Floating Rate	Floating Rate	Fixed Rate	Maturity Date		Notional Amount (000's)	Premiums Received / (Paid)	Value	Unrealized Appreciation/ (Depreciation)
CITNA-B	Receive	THFX6M	1.605%	6/6/20 THB		339,000	\$ — \$	(9,354) \$	(9,354)
		CNY-							
GSCOI	Receive	CNREPOFIX=CFXS	3.785	3/27/23 CNY		28,120	—	(95,190)	(95,190)
GSCOI	Receive	THFX6M	1.500	4/24/20 THB		1,118,750	—	24,192	24,192
GSCOI	Pay	THFX6M	1.955	4/24/23 THB		459,080	—	(73,714)	(73,714)
GSCOI	Pay	Six-Month CLP TNA	3.620	2/8/23 CLP		1,822,500	—	(9,250)	(9,250)
		Six-Month THB							
JPM	Pay	THBFIX	2.603	3/24/27 THB		53,200	—	21,440	21,440
		Three-Month MYR							
JPM	Receive	KLIBOR BNM	4.005	2/21/22 MYR		13,230	—	(13,945)	(13,945)
		Three-Month MYR							
SCB	Pay	KLIBOR BNM	3.310	8/19/21 MYR		45,000	—	(183,978)	(183,978)
Total of Over-the-Counter Interest Rate Swaps						\$	— \$	(324,139) \$	(324,139)

**Over-the-Counter Credit Default Swaptions Written at June 30, 2018**

Description	Counterparty	Buy/Sell Protection	Reference Asset	Fixed Rate	Expiration Date		Notional Amount (000's)	Premiums Received	Value
Credit Default Swap maturing 6/20/23 Call	JPM	Sell	CDX.NA.HY.30	5.000%	9/19/18 USD		56,486	\$ 372,808 \$	(276,838)

**Over-the-Counter Interest Rate Swaptions Written at June 30, 2018**

Description	Counterparty	Pay/Receive Floating Rate	Floating Rate	Fixed Rate	Expiration Date		Notional Amount (000's)	Premiums Received	Value
Interest Rate Swap maturing 5/14/29 Call	BAC	Receive	Three-Month USD-LIBOR-BBA	3.103%	5/9/19 USD		49,420	\$ 1,088,935 \$	(1,324,361)
			Six-Month						
Interest Rate Swap maturing 4/26/49 Call	BAC	Receive	EUR-EURIBOR-Reuters	1.452	4/24/19 EUR		3,530	99,169	(117,714)
			Six-Month						
Interest Rate Swap maturing 12/20/18 Call	BAC	Receive	EUR-EURIBOR-Reuters	1.350	12/20/18 EUR		6,090	55,141	(85,564)
			Six-Month						
Interest Rate Swap maturing 4/26/49 Call	BAC	Pay	EUR-EURIBOR-Reuters	1.887	4/24/19 EUR		3,530	81,923	(37,421)
Interest Rate Swap maturing 5/31/20 Call	BOA	Pay	Three-Month USD-LIBOR-BBA	2.718	5/29/19 USD		282,730	565,460	(980,270)
Interest Rate Swap maturing 6/12/20 Call	BOA	Pay	Three-Month USD-LIBOR-BBA	2.972	6/10/19 USD		282,730	605,042	(588,977)
Interest Rate Swap maturing 4/25/29 Call	BOA	Receive	Three-Month USD-LIBOR-BBA	2.980	4/23/19 USD		28,250	526,863	(578,636)
Interest Rate Swap maturing 12/12/19 Call	BOA	Pay	Three-Month USD-LIBOR-BBA	2.820	12/10/18 USD		282,730	356,240	(323,833)
Interest Rate Swap maturing 9/14/23 Call	GSCOI	Pay	Six-Month PLN-WIBOR-WIBO	2.610	9/12/18 PLN		11,315	14,833	(7,969)
Interest Rate Swap maturing 5/16/29 Call	GSCOI	Pay	Three-Month USD-LIBOR-BBA	3.098	5/14/19 USD		31,785	692,913	(848,894)
			Six-Month						
Interest Rate Swap maturing 4/26/49 Call	GSCOI	Pay	EUR-EURIBOR-Reuters	1.885	4/24/19 EUR		2,190	50,825	(23,416)
Interest Rate Swap maturing 9/21/48 Call	GSCOI	Pay	Three-Month USD-LIBOR-BBA	3.150	9/19/18 USD		28,300	198,100	(208,992)
			Six-Month						
Interest Rate Swap maturing 4/26/49 Call	GSCOI	Receive	EUR-EURIBOR-Reuters	1.450	4/24/19 EUR		2,190	61,524	(72,495)
			Six-Month						
Interest Rate Swap maturing 7/26/28 Call	JPM	Receive	EUR-EURIBOR-Reuters	1.057	7/24/18 EUR		17,425	94,224	(321,996)
Interest Rate Swap maturing 7/9/28 Call	JPM	Pay	Three-Month USD-LIBOR-BBA	3.000	7/5/18 USD		141,145	846,870	(80,018)
			Six-Month						
Interest Rate Swap maturing 7/26/28 Call	JPM	Pay	EUR-EURIBOR-Reuters	1.258	7/24/18 EUR		17,425	47,860	(490)
Total Over-the-Counter Interest Rate Swaptions Written							\$	5,385,922 \$	(5,601,046)

**Glossary:**
**Counterparty Abbreviations**

BAC	Barclays Bank plc
BNP	BNP Paribas
BOA	Bank of America NA

## CONSOLIDATED STATEMENT OF INVESTMENTS Unaudited / Continued

### Counterparty Abbreviations (Continued)

CITNA-B	Citibank NA
DEU	Deutsche Bank AG
GSCOI	Goldman Sachs International
GSCO-OT	Goldman Sachs Bank USA
HSBC	HSBC Bank USA NA
JPM	JPMorgan Chase Bank NA
NOM	Nomura Global Financial Products, Inc.
SCB	Standard Chartered Bank
SIB	Banco Santander SA
TDB	Toronto Dominion Bank

### Currency abbreviations indicate amounts reporting in currencies

ARS	Argentine Peso
AUD	Australian Dollar
BRL	Brazilian Real
CAD	Canadian Dollar
CHF	Swiss Franc
CLP	Chilean Peso
CNY	Chinese Renminbi
COP	Colombian Peso
EGP	Egyptian Pounds
EUR	Euro
HUF	Hungarian Forint
IDR	Indonesian Rupiah
INR	Indian Rupee
JPY	Japanese Yen
KRW	South Korean Won
MXN	Mexican Nuevo Peso
MYR	Malaysian Ringgit
NOK	Norwegian Krone
PEN	Peruvian New Sol
PLN	Polish Zloty
RUB	Russian Ruble
SEK	Swedish Krona
THB	Thailand Baht
TRY	New Turkish Lira
UAH	Ukraine Hryvnia
UYU	Uruguay Peso
ZAR	South African Rand

### Definitions

30YR CMT	30 Year Constant Maturity Treasury
BANXICO	Banco de Mexico
BBA LIBOR	British Bankers' Association London - Interbank Offered Rate
BNM	Bank Negara Malaysia
BUBOR	Budapest Interbank Offered Rate
BUND	German Federal Obligation
BUXL	German Federal Obligation
BZDI	Brazil Interbank Deposit Rate
CDX.EM 29	Markit CDX Emerging Markets Index
CDX.NA.HY.30	Markit CDX North American High Yield
CNREPOFIX=CFXS	Repurchase Fixing Rates
COOVIBR	Columbia IBR Overnight Nominal Interbank Reference Rate
EURIBOR	Euro Interbank Offered Rate
EUSA10	EUR Swap Annual 10 Year
EUSA11	EUR Swap Annual 11 Year
EUSA5	EUR Swap Annual 5 Year
EUSA8	EUR Swap Annual 8 Year
FBIL	Financial Benchmarks India Private Ltd.
H15T5Y	US Treasury Yield Curve Rate T Note Constant Maturity 5 Year
H15T10Y	US Treasury Yield Curve Rate T Note Constant Maturity 10 Year
H15T1Y	US Treasury Yield Curve Rate T Note Constant Maturity 1 Year
ICE LIBOR	Intercontinental Exchange London Interbank Offered Rate
JIBA3M	South Africa Johannesburg Interbank Agreed Rate 3 Month
JIBAR SAFEX	South Africa Johannesburg Interbank Agreed Rate/Futures Exchange
KLIBOR	Kuala Lumpur Interbank Offered Rate
LIBOR	London Interbank Offered Rate
LIBOR01M	ICE LIBOR USD 1 Month
LIBOR4	London Interbank Offered Rate-Yearly
LIBOR4	London Interbank Offered Rate-Quarterly



**Definitions (Continued)**

LIBOR12	London Interbank Offered Rate-Monthly
MIBOR	Mumbai Interbank Offered Rate
NSERO	Indian Rupee Floating Rate
OIS	Overnight Index Swap
THBFIX	Thai Baht Interest Rate Fixing
THFX6M	Thai 6 Month Reference Rate
TIIE	Interbank Equilibrium Interest Rate
TNA	Non-Deliverable CLP Camara
US0001M	ICE LIBOR USD 1 Month
US0003M	ICE LIBOR USD 3 Month
USISDA05	USD ICE Swap Rate 11:00am NY 5 Year
USSW5	USD Swap Semi 30/360 5 Year
WIBOR WIBO	Poland Warsaw Interbank Offer Bid Rate

See accompanying Notes to Consolidated Financial Statements.

# **CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES** June 30, 2018 Unaudited

<b>Assets</b>	
Investments, at value—see accompanying consolidated statement of investments:	
Unaffiliated companies (cost \$1,336,658,768)	\$ 1,282,691,621
Affiliated companies (cost \$414,230,496)	411,252,517
	<u>1,693,944,138</u>
Cash	25,028,493
Cash—foreign currencies (cost \$2,261,716)	2,125,547
Cash used for collateral on futures	1,601,000
Cash used for collateral on OTC derivatives	11,164,000
Cash used for collateral on centrally cleared swaps	8,624,313
Cash used for collateral on forward roll transactions	36,000
Unrealized appreciation on forward currency exchange contracts	11,626,228
Swaps, at value (premiums received \$214,686)	541,197
Centrally cleared swaps, at value (net premiums paid \$497,904)	874,954
Receivables and other assets:	
Investments sold (including \$140,490,854 sold on a when-issued or delayed delivery basis)	144,706,620
Interest, dividends and principal paydowns	17,828,203
Shares of beneficial interest sold	320,627
Variation margin receivable	14,666
Other	1,136,061
Total assets	<u>1,919,572,047</u>
<b>Liabilities</b>	
Unrealized depreciation on forward currency exchange contracts	7,330,552
Options written, at value (premiums received \$8,160,603)	12,960,848
Swaps, at value (premiums received \$187,507)	1,098,331
Centrally cleared swaps, at value (premiums received \$297,369)	1,791,427
Swaptions written, at value (premiums received \$5,758,730)	5,877,884
Payables and other liabilities:	
Investments purchased (including \$319,708,090 purchased on a when-issued or delayed delivery basis)	330,278,611
Shares of beneficial interest redeemed	1,005,925
Distribution and service plan fees	244,959
Trustees' compensation	136,969
Shareholder communications	84,759
Variation margin payable	67,180
Other	188,750
Total liabilities	<u>361,066,195</u>
<b>Net Assets</b>	<u><b>\$ 1,558,505,852</b></u>
<b>Composition of Net Assets</b>	
Par value of shares of beneficial interest	\$ 322,397
Additional paid-in capital	1,756,538,906
Accumulated net investment income	51,755,801
Accumulated net realized loss on investments and foreign currency transactions	(190,475,991)
Net unrealized depreciation on investments and translation of assets and liabilities denominated in foreign currencies	(59,635,261)
<b>Net Assets</b>	<u><b>\$ 1,558,505,852</b></u>
<b>Net Asset Value Per Share</b>	
Non-Service Shares:	
Net asset value, redemption price per share and offering price per share (based on net assets of \$376,758,570 and 79,723,270 shares of beneficial interest outstanding)	\$4.73
Service Shares:	
Net asset value, redemption price per share and offering price per share (based on net assets of \$1,181,747,282 and 242,673,413 shares of beneficial interest outstanding)	\$4.87

See accompanying Notes to Consolidated Financial Statements.

**CONSOLIDATED STATEMENT OF OPERATIONS** For the Six Months Ended June 30, 2018 Unaudited

<b>Allocation of Income and Expenses from Master Funds<sup>1</sup></b>	
Net investment income allocated from Oppenheimer Master Event-Linked Bond Fund, LLC:	
Interest	\$ 1,175,823
Dividends	17,397
Net expenses	(76,257)
Net investment income allocated from Oppenheimer Master Event-Linked Bond Fund, LLC	1,116,963
Net investment income allocated from Oppenheimer Master Loan Fund, LLC	
Interest	6,221,470
Dividends	163,744
Net expenses	(410,798)
Net investment income allocated from Oppenheimer Master Loan Fund, LLC	5,974,416
Total allocation of net investment income from master funds	7,091,379
<b>Investment Income</b>	
Interest — unaffiliated companies (net of foreign withholding taxes of \$377,754)	35,344,031
Fee income on when-issued securities	950,925
Dividends:	
Unaffiliated companies	571,661
Affiliated companies	1,189,333
Total investment income	38,055,950
<b>Expenses</b>	
Management fees	5,008,913
Distribution and service plan fees—Service shares	1,540,874
Transfer and shareholder servicing agent fees:	
Non-Service shares	236,029
Service shares	739,620
Shareholder communications:	
Non-Service shares	25,798
Service shares	80,768
Custodian fees and expenses	68,715
Trustees' compensation	31,638
Borrowing fees	30,772
Other	268,447
Total expenses	8,031,574
Less reduction to custodian expenses	(3,287)
Less waivers and reimbursements of expenses	(576,305)
Net expenses	7,451,982
<b>Net Investment Income</b>	<b>37,695,347</b>

# CONSOLIDATED STATEMENT OF OPERATIONS Unaudited / Continued

<b>Realized and Unrealized Gain (Loss)</b>	
Net realized gain (loss) on:	
Investment transactions in:	
Unaffiliated companies (including premiums on options exercised)(net of foreign capital gains tax of \$54,208)	(13,230,473)
Affiliated companies	(170,400)
Option contracts written	(10,787,760)
Futures contracts	(2,492,701)
Foreign currency transactions	98,057
Forward currency exchange contracts	7,992,129
Swap contracts	2,620,603
Swaption contracts written	840,324
Net realized gain (loss) allocated from:	
Oppenheimer Master Event-Linked Bond Fund, LLC	(345,407)
Oppenheimer Master Loan Fund, LLC	527,557
Net realized loss	(14,948,071)
Net change in unrealized appreciation/depreciation on:	
Investment transactions in:	
Unaffiliated companies	(69,417,537)
Affiliated companies	(99,687)
Translation of assets and liabilities denominated in foreign currencies	(636,068)
Forward currency exchange contracts	5,480,596
Futures contracts	(1,106,070)
Option contracts written	(5,087,927)
Swap contracts	(2,108,057)
Swaption contracts written	(511,371)
Net change in unrealized appreciation/depreciation allocated from:	
Oppenheimer Master Event-Linked Bond Fund, LLC	(133,613)
Oppenheimer Master Loan Fund, LLC	(1,570,565)
Net change in unrealized appreciation/depreciation	(75,190,299)
<b>Net Decrease in Net Assets Resulting from Operations</b>	<b>\$ (52,443,023)</b>

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

See accompanying Notes to Consolidated Financial Statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2018 (Unaudited)	Year Ended December 31, 2017
<b>Operations</b>		
Net investment income	\$ 37,695,347	\$ 71,440,901
Net realized gain (loss)	(14,948,071)	6,249,553
Net change in unrealized appreciation/depreciation	(75,190,299)	22,696,681
Net increase (decrease) in net assets resulting from operations	(52,443,023)	100,387,135
<b>Dividends and/or Distributions to Shareholders</b>		
Dividends from net investment income:		
Non-Service shares	(18,866,160)	(9,178,475)
Service shares	(54,450,672)	(25,692,448)
	(73,316,832)	(34,870,923)
<b>Beneficial Interest Transactions</b>		
Net increase (decrease) in net assets resulting from beneficial interest transactions:		
Non-Service shares	14,658,341	(23,313,057)
Service shares	(1,418,702)	(56,507,178)
	13,239,639	(79,820,235)
<b>Net Assets</b>		
Total decrease	(112,520,216)	(14,304,023)
Beginning of period	1,671,026,068	1,685,330,091
End of period (including accumulated net investment income of \$51,755,801 and \$87,377,286, respectively)	<b>\$ 1,558,505,852</b>	<b>\$ 1,671,026,068</b>

See accompanying Notes to Consolidated Financial Statements.

## CONSOLIDATED FINANCIAL HIGHLIGHTS

	Six Months Ended June 30, 2018 (Unaudited)	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013
<b>Non-Service Shares</b>						
<b>Per Share Operating Data</b>						
Net asset value, beginning of period	\$5.13	\$4.94	\$4.88	\$5.30	\$5.38	\$5.67
Income (loss) from investment operations:						
Net investment income <sup>1</sup>	0.12	0.22	0.20	0.23	0.26	0.28
Net realized and unrealized gain (loss)	(0.27)	0.09	0.11	(0.34)	(0.11)	(0.29)
Total from investment operations	(0.15)	0.31	0.31	(0.11)	0.15	(0.01)
Dividends and/or distributions to shareholders:						
Dividends from net investment income	(0.25)	(0.12)	(0.25)	(0.31)	(0.23)	(0.28)
Net asset value, end of period	<b>\$4.73</b>	<b>\$5.13</b>	<b>\$4.94</b>	<b>\$4.88</b>	<b>\$5.30</b>	<b>\$5.38</b>
<b>Total Return, at Net Asset Value<sup>2</sup></b>	(2.96)%	6.27%	6.53%	(2.26)%	2.84%	(0.13)%

### Ratios/Supplemental Data

Net assets, end of period (in thousands)	\$376,759	\$393,337	\$401,308	\$429,710	\$586,951	\$738,741
Average net assets (in thousands)	\$396,519	\$400,945	\$416,054	\$510,765	\$707,673	\$734,707
Ratios to average net assets: <sup>3,4</sup>						
Net investment income	4.83%	4.40%	4.00%	4.51%	4.73%	5.12%
Expenses excluding specific expenses listed below	0.86%	0.82%	0.79%	0.76%	0.74%	0.74%
Interest and fees from borrowings	0.00% <sup>5</sup>	0.00% <sup>5</sup>	0.00% <sup>5</sup>	0.00% <sup>5</sup>	0.00%	0.00%
Total expenses <sup>6</sup>	0.86%	0.82%	0.79%	0.76%	0.74%	0.74%
Expenses after payments, waivers and/or reimbursements and reduction to custodian expenses	0.79%	0.76%	0.74%	0.73%	0.71%	0.72%
Portfolio turnover rate <sup>7</sup>	42%	74%	80%	79%	93%	107%

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

2. Assumes an initial investment on the business day before the first day of the fiscal period, with all dividends and distributions reinvested in additional shares on the reinvestment date, and redemption at the net asset value calculated on the last business day of the fiscal period. Total returns are not annualized for periods less than one full year. Total return information does not reflect expenses that apply at the separate account level or to related insurance products. Inclusion of these charges would reduce the total return figures for all periods shown. Returns do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

3. Annualized for periods less than one full year.

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

5. Less than 0.005%.

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

Six Months Ended June 30, 2018	0.88%
Year Ended December 31, 2017	0.83%
Year Ended December 31, 2016	0.80%
Year Ended December 31, 2015	0.77%
Year Ended December 31, 2014	0.75%
Year Ended December 31, 2013	0.74%

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

	Purchase Transactions	Sale Transactions
Six Months Ended June 30, 2018	\$1,343,671,924	\$1,370,524,884
Year Ended December 31, 2017	\$2,271,944,419	\$2,153,905,799
Year Ended December 31, 2016	\$1,798,210,272	\$1,766,445,159
Year Ended December 31, 2015	\$1,225,140,927	\$1,266,426,777
Year Ended December 31, 2014	\$1,348,552,640	\$1,337,346,996
Year Ended December 31, 2013	\$4,294,357,677	\$4,679,296,373

See accompanying Notes to Consolidated Financial Statements.

	Six Months Ended June 30, 2018 (Unaudited)	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013
<b>Service Shares</b>						
<b>Per Share Operating Data</b>						
Net asset value, beginning of period	\$5.27	\$5.07	\$5.00	\$5.42	\$5.50	\$5.79
Income (loss) from investment operations:						
Net investment income <sup>1</sup>	0.12	0.22	0.19	0.23	0.25	0.27
Net realized and unrealized gain (loss)	(0.29)	0.08	0.12	(0.35)	(0.11)	(0.29)
Total from investment operations	(0.17)	0.30	0.31	(0.12)	0.14	(0.02)
Dividends and/or distributions to shareholders:						
Dividends from net investment income	(0.23)	(0.10)	(0.24)	(0.30)	(0.22)	(0.27)
Net asset value, end of period	<b>\$4.87</b>	<b>\$5.27</b>	<b>\$5.07</b>	<b>\$5.00</b>	<b>\$5.42</b>	<b>\$5.50</b>
<b>Total Return, at Net Asset Value<sup>2</sup></b>	(3.15)%	6.04%	6.27%	(2.49)%	2.49%	(0.37)%

#### Ratios/Supplemental Data

Net assets, end of period (in thousands)	\$1,181,747	\$1,277,689	\$1,284,022	\$1,375,143	\$1,551,247	\$1,716,026
Average net assets (in thousands)	\$1,242,279	\$1,295,999	\$1,332,343	\$1,496,350	\$1,646,615	\$1,794,640
Ratios to average net assets: <sup>3,4</sup>						
Net investment income	4.58%	4.15%	3.75%	4.26%	4.48%	4.88%
Expenses excluding specific expenses listed below	1.11%	1.07%	1.04%	1.01%	0.99%	0.99%
Interest and fees from borrowings	0.00% <sup>5</sup>	0.00% <sup>5</sup>	0.00% <sup>5</sup>	0.00% <sup>5</sup>	0.00%	0.00%
Total expenses <sup>6</sup>	1.11%	1.07%	1.04%	1.01%	0.99%	0.99%
Expenses after payments, waivers and/or reimbursements and reduction to custodian expenses	1.04%	1.01%	0.99%	0.98%	0.96%	0.97%
Portfolio turnover rate <sup>7</sup>	42%	74%	80%	79%	93%	107%

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

2. Assumes an initial investment on the business day before the first day of the fiscal period, with all dividends and distributions reinvested in additional shares on the reinvestment date, and redemption at the net asset value calculated on the last business day of the fiscal period. Total returns are not annualized for periods less than one full year. Total return information does not reflect expenses that apply at the separate account level or to related insurance products. Inclusion of these charges would reduce the total return figures for all periods shown. Returns do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

3. Annualized for periods less than one full year.

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

5. Less than 0.005%.

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

Six Months Ended June 30, 2018	1.13%
Year Ended December 31, 2017	1.08%
Year Ended December 31, 2016	1.05%
Year Ended December 31, 2015	1.02%
Year Ended December 31, 2014	1.00%
Year Ended December 31, 2013	0.99%

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

	Purchase Transactions	Sale Transactions
Six Months Ended June 30, 2018	\$1,343,671,924	\$1,370,524,884
Year Ended December 31, 2017	\$2,271,944,419	\$2,153,905,799
Year Ended December 31, 2016	\$1,798,210,272	\$1,766,445,159
Year Ended December 31, 2015	\$1,225,140,927	\$1,266,426,777
Year Ended December 31, 2014	\$1,348,552,640	\$1,337,346,996
Year Ended December 31, 2013	\$4,294,357,677	\$4,679,296,373

See accompanying Notes to Consolidated Financial Statements.

## 1. Organization

Oppenheimer Global Strategic Income Fund/VA (the "Fund"), a separate series of Oppenheimer Variable Account Funds, is a diversified open-end management investment company registered under the Investment Company Act of 1940 ("1940 Act"), as amended. The Fund's main investment objective is to seek total return. The Fund's investment adviser is OFI Global Asset Management, Inc. ("OFI Global" or the "Manager"), a wholly-owned subsidiary of OppenheimerFunds, Inc. ("OFI" or the "Sub-Adviser"). The Manager has entered into a sub-advisory agreement with OFI. Shares of the Fund are sold only to separate accounts of life insurance companies.

The Fund offers two classes of shares. Both classes are sold at their offering price, which is the net asset value per share, to separate investment accounts of participating insurance companies as an underlying investment for variable life insurance policies, variable annuity contracts or other investment products. The class of shares designated as Service shares is subject to a distribution and service plan. Both classes of shares have identical rights and voting privileges with respect to the Fund in general and exclusive voting rights on matters that affect that class alone. Earnings, net assets and net asset value per share may differ due to each class having its own expenses, such as transfer and shareholder servicing agent fees and shareholder communications, directly attributable to that class.

The following is a summary of significant accounting policies followed in the Fund's preparation of financial statements in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

## 2. Significant Accounting Policies

**Security Valuation.** All investments in securities are recorded at their estimated fair value, as described in Note 3.

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

The financial statements have been consolidated and include accounts of the Fund and the Subsidiary. Accordingly, all inter-company transactions and balances have been eliminated. At period end, the Fund owned 167,626 shares with net assets of \$14,101,192 in the Subsidiary.

Other financial information at period end:

Total market value of investments	\$	478,587
Net assets	\$	14,101,192
Net income (loss)	\$	(3,304)
Net realized gain (loss)	\$	(268,846)
Net change in unrealized appreciation/depreciation	\$	(91,955)

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

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

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

For securities, which are subject to foreign withholding tax upon disposition, realized 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.

The tax character of distributions is determined as of the Fund's fiscal year end. Therefore, a portion of the Fund's distributions made to shareholders prior to the Fund's fiscal year end may ultimately be categorized as a tax return of capital.

**Investment Income.** Dividend income is recorded on the ex-dividend date or upon ex-dividend notification in the case of certain foreign dividends



## 2. Significant Accounting Policies (Continued)

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 Consolidated Statement of Operations, are amortized or accreted daily.

**Custodian Fees.** "Custodian fees and expenses" in the Consolidated Statement of Operations may include interest expense incurred by the Fund on any cash overdrafts of its custodian account during the period. Such cash overdrafts may result from the effects of failed trades in portfolio securities and from cash outflows resulting from unanticipated shareholder redemption activity. The Fund pays interest to its custodian on such cash overdrafts, to the extent they are not offset by positive cash balances maintained by the Fund, at a rate equal to the Federal Funds Rate plus 2.00%. The "Reduction to custodian expenses" line item, if applicable, represents earnings on cash balances maintained by the Fund during the period. Such interest expense and other custodian fees may be paid with these earnings.

**Security Transactions.** Security transactions are recorded on the trade date. Realized gains and losses on securities sold are determined on the basis of identified cost.

**Indemnifications.** The Fund's organizational documents provide current and former Trustees and officers with a limited indemnification against liabilities arising in connection with the performance of their duties to the Fund. In the normal course of business, the Fund may also enter into contracts that provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown as this would be dependent on future claims that may be made against the Fund. The risk of material loss from such claims is considered remote.

**Federal Taxes.** The Fund intends to comply with provisions of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its investment company taxable income to shareholders. Therefore, no federal income or excise tax provision is required. The Fund files income tax returns in U.S. federal and applicable state jurisdictions. The statute of limitations on the Fund's tax return filings generally remains open for the three preceding fiscal reporting period ends. The Fund has analyzed its tax positions for the fiscal year ended December 31, 2017, including open tax years, and does not believe there are any uncertain tax positions requiring recognition in the Fund's financial statements.

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

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

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

During the fiscal year ended December 31, 2017, the Fund utilized \$3,016,001 of capital loss carryforwards to offset capital gains realized in that fiscal year. For the fiscal year ended December 31, 2017, the Fund had capital loss carryforwards of \$162,638,535. Capital losses will be carried forward to future years if not offset by gains.

At period end, it is estimated that the capital loss carryforwards would be \$177,586,606. The estimated capital loss carryforward represents the carryforward as of the end of the last fiscal year, increased or decreased by capital losses or gains realized in the first six months of the current fiscal year. During the reporting period, it is estimated that the Fund will not utilize any capital loss carryforward to offset realized capital gains.

Net investment income (loss) and net realized gain (loss) may differ for financial statement and tax purposes. The character of dividends and distributions made during the fiscal year from net investment income or net realized gains are determined in accordance with federal income tax requirements, which may differ from the character of net investment income or net realized gains presented in those financial statements in accordance with U.S. GAAP. Also, due to timing of dividends and distributions, the fiscal year in which amounts are distributed may differ from the fiscal year in which the income or net realized gain was recorded by the Fund.

The aggregate cost of securities and other investments and the composition of unrealized appreciation and depreciation of securities and other investments for federal income tax purposes at period end are noted in the following table. The primary difference between book and tax appreciation or depreciation of securities and other investments, if applicable, is attributable to the tax deferral of losses or tax realization of financial statement unrealized gain or loss.

Federal tax cost of securities	\$ 1,751,316,515
Federal tax cost of other investments	(143,683,179)
Total federal tax cost	<u>\$ 1,607,633,336</u>
Gross unrealized appreciation	\$ 31,928,686
Gross unrealized depreciation	(91,991,198)
Net unrealized depreciation	<u>\$ (60,062,512)</u>

## 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.

## 3. Securities Valuation

The Fund calculates the net asset value of its shares as of 4:00 P.M. Eastern Time, on each day the New York Stock Exchange (the "Exchange") is open for trading, except in the case of a scheduled early closing of the Exchange, in which case the Fund will calculate net asset value of the shares as of the scheduled early closing time of the Exchange.

The Fund's Board has adopted procedures for the valuation of the Fund's securities and has delegated the day-to-day responsibility for valuation determinations under those procedures to the Manager. The Manager has established a Valuation Committee which is responsible for determining a fair valuation for any security for which market quotations are not readily available. The Valuation Committee's fair valuation determinations are subject to review, approval and ratification by the Fund's Board at least quarterly or more frequently, if necessary.

### Valuation Methods and Inputs

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

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

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

Shares of a registered investment company that are not traded on an exchange are valued at that investment company's net asset value per share.

Corporate and government debt securities (of U.S. or foreign issuers) and municipal debt securities, short-term notes, mortgage-backed securities, collateralized mortgage obligations, and asset-backed securities are valued at the mean between the bid and asked prices utilizing evaluated prices obtained from third party pricing services or broker-dealers who may use matrix pricing methods to determine the evaluated prices. Pricing services generally price debt securities assuming orderly transactions of an institutional "round lot" size, but some trades may occur in smaller, "odd lot" sizes, sometimes at lower prices than institutional round lot trades. Standard inputs generally considered by third-party pricing vendors include reported trade data, broker-dealer price quotations, benchmark yields, issuer spreads on comparable securities, the credit quality, yield, maturity, as well as other appropriate factors.

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

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

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

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

Securities for which market quotations are not readily available, or when a significant event has occurred that would materially affect the value of the security, are fair valued either (i) by a standardized fair valuation methodology applicable to the security type or the significant event as previously approved by the Valuation Committee and the Fund's Board or (ii) as determined in good faith by the Manager's Valuation Committee. The Valuation Committee considers all relevant facts that are reasonably available, through either public information or information available to the Manager, when determining the fair value of a security. Those standardized fair valuation methodologies include, but are not limited to, valuing securities at the last sale price or initially at cost and subsequently adjusting the value based on: changes in company specific fundamentals, changes in an appropriate securities index, or changes in the value of similar securities which may be further adjusted for any discounts related to security-specific resale restrictions. When possible, such methodologies use observable market inputs such as unadjusted quoted prices of similar securities, observable interest rates, currency rates and yield curves. The methodologies used for valuing securities are not necessarily an indication of the risks associated with investing in those securities nor can it be assured that the Fund can obtain the fair value assigned to a security if it were to sell the security.

To assess the continuing appropriateness of security valuations, the Manager regularly compares prior day prices and sale prices to the current day

### 3. Securities Valuation (Continued)

prices and challenges those prices exceeding certain tolerance levels with the third party pricing service or broker source. For those securities valued by fair valuations, whether through a standardized fair valuation methodology or a fair valuation determination, the Valuation Committee reviews and affirms the reasonableness of the valuations based on such methodologies and fair valuation determinations on a regular basis after considering all relevant information that is reasonably available.

#### Classifications

Each investment asset or liability of the Fund is assigned a level at measurement date based on the significance and source of the inputs to its valuation. Various data inputs may be used in determining the value of each of the Fund's investments as of the reporting period end. These data inputs are categorized in the following hierarchy under applicable financial accounting standards:

- 1) Level 1—unadjusted quoted prices in active markets for identical assets or liabilities (including securities actively traded on a securities exchange)
- 2) Level 2—inputs other than unadjusted quoted prices that are observable for the asset or liability (such as unadjusted quoted prices for similar assets and market corroborated inputs such as interest rates, prepayment speeds, credit risks, etc.)
- 3) Level 3—significant unobservable inputs (including the Manager's own judgments about assumptions that market participants would use in pricing the asset or liability).

The inputs used for valuing securities are not necessarily an indication of the risks associated with investing in those securities.

The Fund classifies each of its investments in investment companies which are publicly offered as Level 1. Investment companies that are not publicly offered, if any, are classified as Level 2 in the fair value hierarchy.

The table below categorizes amounts that are included in the Fund's Consolidated Statement of Assets and Liabilities at period end based on valuation input level:

	Level 1— Unadjusted Quoted Prices	Level 2— Other Significant Observable Inputs	Level 3— Significant Unobservable Inputs	Value
<b>Assets Table</b>				
<b>Investments, at Value:</b>				
Asset-Backed Securities	\$ —	\$ 43,719,287	\$ —	\$ 43,719,287
Mortgage-Backed Obligations	—	311,562,690	—	311,562,690
Foreign Government Obligations	—	266,827,397	—	266,827,397
Corporate Loans	—	5,614,549	—	5,614,549
Corporate Bonds and Notes	—	615,866,475	27,561	615,894,036
Preferred Stocks	21,485,974	—	—	21,485,974
Common Stocks	530,152	41,922	78,263	650,337
Rights, Warrants and Certificates	—	19,528	128,945	148,473
Structured Securities	—	3,771,975	—	3,771,975
Short-Term Notes	—	6,877,917	—	6,877,917
Investment Companies	143,506,690	267,745,827	—	411,252,517
Over-the-Counter Options Purchased	—	2,477,123	—	2,477,123
Over-the-Counter Credit Default Swaption Purchased	—	662,581	—	662,581
Over-the-Counter Interest Rate Swaptions Purchased	—	2,999,282	—	2,999,282
Total Investments, at Value	165,522,816	1,528,186,553	234,769	1,693,944,138
<b>Other Financial Instruments:</b>				
Swaps, at value	—	541,197	—	541,197
Centrally cleared swaps, at value	—	874,954	—	874,954
Futures contracts	300,412	—	—	300,412
Forward currency exchange contracts	—	11,626,228	—	11,626,228
Total Assets	\$ 165,823,228	\$ 1,541,228,932	\$ 234,769	\$ 1,707,286,929
<b>Liabilities Table</b>				
<b>Other Financial Instruments:</b>				
Swaps, at value	\$ —	\$ (1,098,331)	\$ —	\$ (1,098,331)
Centrally cleared swaps, at value	—	(1,791,427)	—	(1,791,427)
Options written, at value	—	(12,960,848)	—	(12,960,848)
Futures contracts	(450,474)	—	—	(450,474)
Forward currency exchange contracts	—	(7,330,552)	—	(7,330,552)
Swaptions written, at value	—	(5,877,884)	—	(5,877,884)
Total Liabilities	\$ (450,474)	\$ (29,059,042)	\$ —	\$ (29,509,516)

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.

**3. Securities Valuation (Continued)**

The table below shows the transfers between Level 2 and Level 3. The Fund's policy is to recognize transfers in and transfers out as of the beginning of the reporting period.

	Transfers into Level 2* Transfers out of Level 3*	
<b>Assets Table</b>		
<b>Investments, at Value:</b>		
Mortgage-Backed Obligations	\$ 51,559	\$ (51,559)
Structured Securities	223,349	(223,349)
Total Assets	<b>\$ 274,908</b>	<b>\$ (274,908)</b>

\* Transferred from Level 3 to Level 2 due to the availability of market data for this security.

**4. Investments and Risks**

**Risks of Foreign Investing.** The Fund may invest in foreign securities which are subject to special risks. Securities traded in foreign markets may be less liquid and more volatile than those traded in U.S. markets. Foreign issuers are usually not subject to the same accounting and disclosure requirements that U.S. companies are subject to, which may make it difficult for the Fund to evaluate a foreign company's operations or financial condition. A change in the value of a foreign currency against the U.S. dollar will result in a change in the U.S. dollar value of investments denominated in that foreign currency and in the value of any income or distributions the Fund may receive on those investments. The value of foreign investments may be affected by exchange control regulations, foreign taxes, higher transaction and other costs, delays in the settlement of transactions, changes in economic or monetary policy in the United States or abroad, expropriation or nationalization of a company's assets, or other political and economic factors. In addition, due to the inter-relationship of global economies and financial markets, changes in political and economic factors in one country or region could adversely affect conditions in another country or region. Investments in foreign securities may also expose the Fund to time-zone arbitrage risk. Foreign securities may trade on weekends or other days when the Fund does not price its shares. At times, the Fund may emphasize investments in a particular country or region and may be subject to greater risks from adverse events that occur in that country or region. Foreign securities and foreign currencies held in foreign banks and securities depositories may be subject to limited or no regulatory oversight.

**Investments in Affiliated Funds.** The Fund is permitted to invest in other mutual funds advised by the Manager ("Affiliated Funds"). Affiliated Funds are open-end management investment companies registered under the 1940 Act, as amended. The Manager is the investment adviser of, and the Sub-Adviser provides investment and related advisory services to, the Affiliated Funds. When applicable, the Fund's investments in Affiliated Funds are included in the Consolidated Statement of Investments. Shares of Affiliated Funds are valued at their net asset value per share. As a shareholder, the Fund is subject to its proportional share of the Affiliated Funds' expenses, including their management fee. The Manager will waive fees and/or reimburse Fund expenses in an amount equal to the indirect management fees incurred through the Fund's investment in the Affiliated Funds.

Each of the Affiliated Funds in which the Fund invests has its own investment risks, and those risks can affect the value of the Fund's investments and therefore the value of the Fund's shares. To the extent that the Fund invests more of its assets in one Affiliated Fund than in another, the Fund will have greater exposure to the risks of that Affiliated Fund.

**Investments in Money Market Instruments.** The Fund is permitted to invest its free cash balances in money market instruments to provide liquidity or for defensive purposes. The Fund may invest in money market instruments by investing in Class E shares of Oppenheimer Institutional Government Money Market Fund ("IGMMF"), which is an Affiliated Fund. IGMMF is regulated as a money market fund under the 1940 Act, as amended. The Fund may also invest in money market instruments directly or in other affiliated or unaffiliated money market funds.

**Investment in Oppenheimer Master Funds.** The Fund is permitted to invest in entities sponsored and/or advised by the Manager or an affiliate. Certain of these entities in which the Fund invests are mutual funds registered under the 1940 Act, as amended, that expect to be treated as partnerships for tax purposes, specifically Oppenheimer Master Loan Fund, LLC ("Master Loan") and Oppenheimer Master Event-Linked Bond Fund, LLC ("Master Event-Linked Bond") (the "Master Funds"). Each Master Fund has its own investment risks, and those risks can affect the value of the Fund's investments and therefore the value of the Fund's shares. To the extent that the Fund invests more of its assets in one Master Fund than in another, the Fund will have greater exposure to the risks of that Master Fund.

The investment objective of Master Loan is to seek income. The investment objective of Master Event-Linked Bond is to seek total return. The Fund's investments in the Master Funds are included in the Consolidated Statement of Investments. The Fund recognizes income and gain/(loss) on its investments in each Master Fund according to its allocated pro-rata share, based on its relative proportion of total outstanding Master Fund shares held, of the total net income earned and the net gain/(loss) realized on investments sold by the Master Funds. As a shareholder, the Fund is subject to its proportional share of the Master Funds' expenses, including their management fee. The Manager will waive fees and/or reimburse Fund expenses in an amount equal to the indirect management fees incurred through the Fund's investment in the Master Funds. The Fund owns 16.9% of Master Loan and 8.7% of Master Event-Linked Bond at period end.

**Structured Securities.** The Fund invests in structured securities whose market values, interest rates and/or redemption prices are linked to the performance of underlying foreign currencies, interest rate spreads, stock market indices, prices of individual securities, commodities or other financial instruments or the occurrence of other specific events. The structured securities are often leveraged, increasing the volatility of each note's market value

#### 4. Investments and Risks (Continued)

relative to the change in the underlying linked financial element or event. Fluctuations in value of these securities are recorded as unrealized gains and losses in the accompanying Consolidated Statement of Operations. The Fund records a realized gain or loss when a structured security is sold or matures.

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

When investing in loans, the Fund generally will have a contractual relationship only with the lender, not with the relevant borrower. As a result, the Fund generally will have the right to receive payments of principal, interest, and any fees to which it is entitled only from the lender selling the participation and only upon receipt by the lender of the payments from the relevant borrower. The Fund may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, the Fund will assume the credit risk of both the borrower and the institution selling the participation to the Fund.

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

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

	<b>When-Issued or Delayed Delivery Basis Transactions</b>
Purchased securities	\$319,708,090
Sold securities	140,490,854

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

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

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

At period end, the Fund pledged \$36,000 of collateral to the counterparty for forward roll transactions.

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

**Equity Security Risk.** Stocks and other equity securities fluctuate in price. The value of the Fund's portfolio may be affected by changes in the equity markets generally. Equity markets may experience significant short-term volatility and may fall sharply at times. Different markets may behave differently from each other and U.S. equity markets may move in the opposite direction from one or more foreign stock markets. Adverse events in any part of the equity or fixed-income markets may have unexpected negative effects on other market segments.

The prices of individual equity securities generally do not all move in the same direction at the same time and a variety of factors can affect the price of a particular company's securities. These factors may include, but are not limited to, poor earnings reports, a loss of customers, litigation against the

**4. Investments and Risks (Continued)**

company, general unfavorable performance of the company's sector or industry, or changes in government regulations affecting the company or its industry.

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

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

Cost	\$3,557,221
Market Value	\$906,040
Market Value as % of Net Assets	0.06%

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

**Shareholder Concentration.** At period end, two shareholders each 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. Use of Derivatives**

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

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

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

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## 6. Use of Derivatives (Continued)

obligation to the Fund.

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

### Forward Currency Exchange Contracts

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

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

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

During the reporting period, the Fund had daily average contract amounts on forward contracts to buy and sell of \$281,280,786 and \$420,973,926, respectively.

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

### Futures Contracts

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

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

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

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

During the reporting period, the Fund had an ending monthly average market value of \$114,989,095 and \$204,679,087 on futures contracts purchased and sold, respectively.

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

### Option Activity

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

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

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

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

**6. Use of Derivatives (Continued)**

depreciates relative to the strike price.

During the reporting period, the Fund had an ending monthly average market value of \$1,161,904 and \$662,459 on purchased call options and purchased put options, respectively.

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

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

During the reporting period, the Fund had an ending monthly average market value of \$1,079,265 and \$6,936,337 on written call options and written put options, respectively.

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

**Swap Contracts**

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

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

Swap contract agreements are exposed to the market risk factor of the specific underlying reference rate or asset. Swap contracts are typically more attractively priced compared to similar investments in related cash securities because they isolate the risk to one market risk factor and eliminate the other market risk factors. Investments in cash securities (for instance bonds) have exposure to multiple risk factors (credit and interest rate risk). Because swaps have embedded leverage, they can expose the Fund to substantial risk in the isolated market risk factor.

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

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

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

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

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

For the reporting period, the Fund had ending monthly average notional amounts of \$23,055,714 and \$17,267,714 on credit default swaps to buy protection and credit default swaps to sell protection, respectively.

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



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## 6. Use of Derivatives (Continued)

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

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

For the reporting period, the Fund had ending monthly average notional amounts of \$194,972,362 and \$358,581,904 on interest rate swaps which pay a fixed rate and interest rate swaps which receive a fixed rate, respectively.

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

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

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

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

For the reporting period, the Fund had ending monthly average notional amounts of \$2,384,825 on total return swaps which are long the reference asset.

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

### Swaption Transactions

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

Purchased swaptions are reported as a component of investments in the Consolidated Statement of Investments and the Consolidated Statement of Assets and Liabilities. Written swaptions are reported on a schedule following the Consolidated Statement of Investments and their value is reported as a separate asset or liability line item in the Consolidated Statement of Assets and Liabilities. The net change in unrealized appreciation or depreciation on written swaptions is separately reported in the Consolidated Statement of Operations. When a swaption is exercised, the cost of the swap is adjusted by the amount of premium paid or received. Upon the expiration or closing of an unexercised swaption contract, a gain or loss is reported in the Consolidated Statement of Operations for the amount of the premium paid or received.

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

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

The Fund may purchase swaptions which give it the option to buy or sell credit protection through credit default swaps in order to decrease or increase exposure to the credit risk of individual issuers and/or indexes of issuers. A swaption selling protection becomes more valuable as the likelihood of a credit event on the reference asset decreases. A swaption buying protection becomes more valuable as the likelihood of a credit event on the reference asset increases.

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

The Fund may write swaptions which give it the obligation, if exercised by the purchaser, to sell or buy credit protection through credit default swaps in order to increase or decrease exposure to the credit risk of individual issuers and/or indexes of issuers. A written swaption selling protection becomes more valuable as the likelihood of a credit event on the reference asset decreases. A written swaption buying protection becomes more valuable as the likelihood of a credit event on the reference asset increases.

The Fund may enter into currency swaption contracts with the obligation to pay an interest rate on the US dollar notional amount or various foreign currency notional amounts and receive an interest rate on various foreign currency notional amounts or US dollar notional amounts, with an option to replace the contractual currency as disclosed in the Consolidated Statement of Investments. This is done in order to take a positive investment perspective on the related currencies for which the Fund receives a payment. The US dollar swaption contracts seek to increase exposure to foreign

**6. Use of Derivatives (Continued)**

exchange rate risk. The foreign currency swaption contracts seek to decrease exposure to foreign exchange rate risk.

During the reporting period, the Fund had an ending monthly average market value of \$3,163,689 and \$3,545,988 on purchased and written swaptions, respectively.

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

The Fund's risk of loss from counterparty credit risk on OTC derivatives is generally limited to the aggregate unrealized gain netted against any collateral held by the Fund. For OTC options purchased, the Fund bears the risk of loss of the amount of the premiums paid plus the positive change in market values net of any collateral held by the Fund should the counterparty fail to perform under the contracts. Options written by the Fund do not typically give rise to counterparty credit risk, as options written generally obligate the Fund and not the counterparty to perform.

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

At period end, the Fund has required certain counterparties to post collateral of \$2,734,269.

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

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

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

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

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

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

Collateral terms are contract specific for OTC derivatives. For derivatives traded under an ISDA master agreement, the collateral requirements are typically calculated by netting the mark to market amount for each transaction under such agreement and comparing that amount to the value of any collateral currently pledged by the Fund or the counterparty.

For financial reporting purposes, cash collateral that has been pledged to cover obligations of the Fund, if any, is reported separately on the Consolidated Statement of Assets and Liabilities as cash pledged as collateral. Non-cash collateral pledged by the Fund, if any, is noted in the Consolidated Statement of Investments. Generally, the amount of collateral due from or to a party must exceed a minimum transfer amount threshold (e.g. \$250,000) before a transfer has to be made. To the extent amounts due to the Fund from its counterparties are not fully collateralized, contractually or otherwise, the Fund bears the risk of loss from counterparty nonperformance.

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

## 6. Use of Derivatives (Continued)

Counterparty	Gross Amounts Not Offset in the Consolidated Statement of Assets & Liabilities					Net Amount
	Gross Amounts Not Offset in the Consolidated Statement of Assets & Liabilities*	Financial Instruments Available for Offset	Financial Instruments Collateral Received**	Cash Collateral Received**		
Bank of America NA	\$ 3,730,449	\$ (3,730,409)	\$ —	\$ (40)	\$ —	—
Barclays Bank plc	2,837,381	(2,797,139)	—	—	—	40,242
BNP Paribas	14,870	(14,870)	—	—	—	—
Citibank NA	1,583,384	(1,583,384)	—	—	—	—
Deutsche Bank AG	789,481	(236,508)	—	(380,000)	—	172,973
Goldman Sachs Bank USA	3,580,095	(3,580,095)	—	—	—	—
Goldman Sachs International	24,192	(24,192)	—	—	—	—
HSBC Bank USA NA	290,301	(18,379)	—	(260,000)	—	11,922
JPMorgan Chase Bank NA	3,878,161	(3,878,161)	—	—	—	—
Nomura Global Financial Products, Inc.	5,151	—	—	—	—	5,151
Toronto Dominion Bank	1,572,946	(265,068)	(1,307,878)	—	—	—
<b>\$</b>	<b>18,306,411</b>	<b>\$ (16,128,205)</b>	<b>\$ (1,307,878)</b>	<b>\$ (640,040)</b>	<b>\$</b>	<b>230,288</b>

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

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

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

Counterparty	Gross Amounts Not Offset in the Consolidated Statement of Assets & Liabilities					Net Amount
	Gross Amounts Not Offset in the Consolidated Statement of Assets & Liabilities*	Financial Instruments Available for Offset	Financial Instruments Collateral Pledged**	Cash Collateral Pledged**		
Bank of America NA	\$ (3,730,409)	\$ 3,730,409	\$ —	\$ —	\$ —	—
Barclays Bank plc	(2,797,139)	2,797,139	—	—	—	—
BNP Paribas	(28,350)	14,870	—	—	—	(13,480)
Citibank NA	(2,916,715)	1,583,384	—	1,210,000	—	(123,331)
Deutsche Bank AG	(236,508)	236,508	—	—	—	—
Goldman Sachs Bank USA	(9,504,248)	3,580,095	—	5,924,153	—	—
Goldman Sachs International	(1,551,850)	24,192	—	310,000	—	(1,217,658)
HSBC Bank USA, NA	(18,379)	18,379	—	—	—	—
JPMorgan Chase Bank NA	(6,034,971)	3,878,161	—	2,156,810	—	—
Standard Chartered Bank	(183,978)	—	—	183,978	—	—
Toronto Dominion Bank	(265,068)	265,068	—	—	—	—
<b>\$</b>	<b>(27,267,615)</b>	<b>\$ 16,128,205</b>	<b>\$ —</b>	<b>\$ 9,784,941</b>	<b>\$</b>	<b>(1,354,469)</b>

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

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

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

Derivatives Not Accounted for as Hedging Instruments	Asset Derivatives		Liability Derivatives	
	Consolidated Statement of Assets and Liabilities Location	Value	Consolidated Statement of Assets and Liabilities Location	Value
Credit contracts	Swaps, at value	\$ 35,635	Swaps, at value	\$ 268,630
Interest rate contracts	Swaps, at value	505,562	Swaps, at value	829,701
Credit contracts	Centrally cleared swaps, at value	457,853	Centrally cleared swaps, at value	281,355
Interest rate contracts	Centrally cleared swaps, at value	417,101	Centrally cleared swaps, at value	1,510,072
Interest rate contracts	Variation margin receivable	14,666*	Variation margin payable	67,180*
	Unrealized appreciation on foreign currency exchange contracts	11,626,228	Unrealized depreciation on foreign currency exchange contracts	7,330,552
Forward currency exchange contracts			Options written, at value	12,960,848

## 6. Use of Derivatives (Continued)

Derivatives Not Accounted for as Hedging Instruments	Asset Derivatives		Liability Derivatives	
	Consolidated Statement of Assets and Liabilities Location	Value	Consolidated Statement of Assets and Liabilities Location	Value
Credit contracts			Swaptions written, at value \$	276,838
Interest rate contracts			Swaptions written, at value	5,601,046
Credit contracts	Investments, at value	\$ 662,581**		
Forward currency exchange contracts	Investments, at value	2,477,123**		
Interest rate contracts	Investments, at value	2,999,282**		
Total		<u>\$ 19,196,031</u>		<u>\$ 29,126,222</u>

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

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

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

Amount of Realized Gain or (Loss) Recognized on Derivatives							
Derivatives Not Accounted for as Hedging Instruments	Investment transactions in unaffiliated companies*	Swaption contracts written	Option contracts written	Futures contracts	Forward currency exchange contracts	Swap contracts	Total
Credit contracts	\$ (464,585)	\$ 325,887	\$ —	\$ —	\$ —	\$ (211,047)	\$ (349,745)
Equity contracts	(853,374)	—	—	—	—	44,196	(809,178)
Forward currency exchange contracts	405,793	—	(10,787,760)	—	7,992,129	—	(2,389,838)
Interest rate contracts	(1,327,394)	514,437	—	(2,492,701)	—	2,787,454	(518,204)
Total	<u>\$ (2,239,560)</u>	<u>\$ 840,324</u>	<u>\$ (10,787,760)</u>	<u>\$ (2,492,701)</u>	<u>\$ 7,992,129</u>	<u>\$ 2,620,603</u>	<u>\$ (4,066,965)</u>

\*Includes purchased options contracts, purchased swaption contracts, written options contracts exercised and written swaption contracts exercised, if any.

Amount of Change in Unrealized Gain or (Loss) Recognized on Derivatives							
Derivatives Not Accounted for as Hedging Instruments	Investment transactions in unaffiliated companies*	Swaption contracts written	Option contracts written	Futures contracts	Forward currency exchange contracts	Swap contracts	Total
Credit contracts	\$ (108,552)	\$ 95,970	\$ —	\$ —	\$ —	\$ (41,972)	\$ (54,554)
Equity contracts	412,524	—	—	—	—	—	412,524
Forward currency exchange contracts	(3,067,763)	—	(5,087,927)	—	5,480,596	—	(2,675,094)
Interest rate contracts	646,999	(607,341)	—	(1,106,070)	—	(2,066,085)	(3,132,497)
Total	<u>\$ (2,116,792)</u>	<u>\$ (511,371)</u>	<u>\$ (5,087,927)</u>	<u>\$ (1,106,070)</u>	<u>\$ 5,480,596</u>	<u>\$ (2,108,057)</u>	<u>\$ (5,449,621)</u>

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

## 7. Shares of Beneficial Interest

The Fund has authorized an unlimited number of \$0.001 par value shares of beneficial interest of each class. Transactions in shares of beneficial interest were as follows:

	Six Months Ended June 30, 2018		Year Ended December 31, 2017	
	Shares	Amount	Shares	Amount
<b>Non-Service Shares</b>				
Sold	5,484,091	\$ 28,156,632	4,936,516	\$ 24,907,153
Dividends and/or distributions reinvested	3,988,617	18,866,160	1,828,381	9,178,475
Redeemed	(6,388,953)	(32,364,451)	(11,338,330)	(57,398,685)
Net increase (decrease)	<u>3,083,755</u>	<u>\$ 14,658,341</u>	<u>(4,573,433)</u>	<u>\$ (23,313,057)</u>
<b>Service Shares</b>				
Sold	4,855,858	\$ 25,429,357	12,450,513	\$ 64,464,791
Dividends and/or distributions reinvested	11,180,836	54,450,672	4,979,157	25,692,448
Redeemed	(15,656,153)	(81,298,731)	(28,206,027)	(146,664,417)
Net increase (decrease)	<u>380,541</u>	<u>\$ (1,418,702)</u>	<u>(10,776,357)</u>	<u>\$ (56,507,178)</u>

## 8. Purchases and Sales of Securities

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

	Purchases	Sales
Investment securities	\$628,561,494	\$743,540,634
U.S. government and government agency obligations	—	476,833
To Be Announced (TBA) mortgage-related securities	1,343,671,924	1,370,524,884

## 9. Fees and Other Transactions with Affiliates

**Management Fees.** Under the investment advisory agreement, the Fund pays the Manager a management fee based on the daily net assets of the Fund at an annual rate as shown in the following table:

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

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

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

**Sub-Adviser Fees.** The Manager has retained the Sub-Adviser to provide the day-to-day portfolio management of the Fund and the Subsidiary. Under the Sub-Advisory Agreement, the Manager pays the Sub-Adviser an annual fee in monthly installments, equal to a percentage of the investment management fee collected by the Manager from the Fund and the Subsidiary, which shall be calculated after any investment management fee waivers. The fee paid to the Sub-Adviser is paid by the Manager, not by the Fund.

**Transfer Agent Fees.** OFI Global (the "Transfer Agent") serves as the transfer and shareholder servicing agent for the Fund. The Fund pays the Transfer Agent a fee based on annual net assets. Fees incurred and average net assets for each class with respect to these services are detailed in the Consolidated Statement of Operations and Consolidated Financial Highlights, respectively.

**Sub-Transfer Agent Fees.** The Transfer Agent has retained Shareholder Services, Inc., a wholly-owned subsidiary of OFI (the "Sub-Transfer Agent"), to provide the day-to-day transfer agent and shareholder servicing of the Fund. Under the Sub-Transfer Agency Agreement, the Transfer Agent pays the Sub-Transfer Agent an annual fee in monthly installments, equal to a percentage of the transfer agent fee collected by the Transfer Agent from the Fund, which shall be calculated after any applicable fee waivers. The fee paid to the Sub-Transfer Agent is paid by the Transfer Agent, not by the Fund.

**Trustees' Compensation.** The Fund's Board of Trustees ("Board") has adopted a compensation deferral plan for Independent Trustees that enables Trustees to elect to defer receipt of all or a portion of the annual compensation they are entitled to receive from the Fund. For purposes of determining the amount owed to the Trustees under the plan, deferred amounts are treated as though equal dollar amounts had been invested in shares of the Fund or in other Oppenheimer funds selected by the Trustees. The Fund purchases shares of the funds selected for deferral by the Trustees in amounts equal to his or her deemed investment, resulting in a Fund asset equal to the deferred compensation liability. Such assets are included as a component of "Other" within the asset section of the Consolidated Statement of Assets and Liabilities. Deferral of Trustees' fees under the plan will not affect the net assets of the Fund and will not materially affect the Fund's assets, liabilities or net investment income per share. Amounts will be deferred until distributed in accordance with the compensation deferral plan.

**Distribution and Service Plan for Service Shares.** The Fund has adopted a Distribution and Service Plan (the "Plan") pursuant to Rule 12b-1 under the 1940 Act for Service shares to pay Oppenheimer Funds 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 Consolidated Statement of Operations.

**Waivers and Reimbursements of Expenses.** The Manager has contractually agreed to waive the management fee it receives from the Fund in an amount equal to the management fee it receives from the Subsidiary. During the reporting period, the Manager waived \$31,073. 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

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**9. Fees and Other Transactions with Affiliates (Continued)**

investments in Affiliated Funds. During the reporting period, the Manager waived fees and/or reimbursed the Fund \$545,232 for these management fees. This fee waiver and/or expense reimbursement may not be amended or withdrawn for one year from the date of the Fund's prospectus, unless approved by the Board.

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**10. Borrowings and Other Financing**

**Joint Credit Facility.** A number of mutual funds managed by the Manager participate in a \$1.875 billion revolving credit facility (the "Facility") intended to provide short-term financing, if necessary, subject to certain restrictions in connection with atypical redemption activity. Effective July 17, 2018, the Facility was increased to \$1.95 billion. Expenses and fees related to the Facility are paid by the participating funds and are disclosed separately or as other expenses on the Consolidated Statement of Operations. The Fund did not utilize the Facility during the reporting period.

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](http://www.oppenheimerfunds.com), and (iii) on the SEC's website at [www.sec.gov](http://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](http://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](http://www.sec.gov). Those forms may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

# OPPENHEIMER GLOBAL STRATEGIC INCOME FUND/VA

## A Series of Oppenheimer Variable Account Funds

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Cynthia Lo Bessette, Secretary and Chief Legal Officer  
Jennifer Foxson, Vice President and Chief Business Officer  
Mary Ann Piccioletto, Chief Compliance Officer and Chief Anti-Money Laundering Officer  
Brian S. Petersen, Treasurer and Principal Financial & Accounting Officer

### Manager

OFI Global Asset Management, Inc.

### Sub-Adviser

OppenheimerFunds, Inc.

### Distributor

OppenheimerFunds Distributor, Inc.

### Transfer and Shareholder Servicing Agent

OFI Global Asset Management, Inc.

### Sub-Transfer Agent

Shareholder Services, Inc.  
DBA OppenheimerFunds Services

### Independent Registered Public Accounting Firm

KPMG LLP

### Legal Counsel

Ropes & Gray LLP

**Before investing in any of the Oppenheimer funds, investors should carefully consider a fund's investment objectives, risks, charges and expenses. Fund prospectuses and summary prospectuses contain this and other information about the funds, and may be obtained by asking your financial advisor, visiting [oppenheimerfunds.com](http://oppenheimerfunds.com) or calling us at 1.800.988.8287. Read prospectuses and summary prospectuses carefully before investing.**

**The financial statements included herein have been taken from the records of the Fund without examination of those records by the independent registered public accounting firm.**

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The Right Way  
to Invest





FRANKLIN TEMPLETON  
INVESTMENTS

**Semiannual Report**

June 30, 2018

# Franklin Templeton Variable Insurance Products Trust





# Franklin Templeton Variable Insurance Products Trust Semiannual Report

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\*Not part of the semiannual report. Retain for your records.

Not FDIC Insured | May Lose Value | No Bank Guarantee

# Important Notes to Performance Information

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

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

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



**FRANKLIN TEMPLETON  
INVESTMENTS**

**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.*

# Templeton Developing Markets VIP Fund

This semiannual report for Templeton Developing Markets VIP Fund covers the period ended June 30, 2018.

## **Class 2 Performance Summary as of June 30, 2018**

**The Fund's Class 2 Shares had a -7.81% total return\* for the six-month period ended June 30, 2018.**

\*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 2 operating expenses, but does **not** include any contract fees, expenses or sales charges. If they had been included, performance would be lower. These charges and deductions, particularly for variable life policies, can have a significant effect on contract values and insurance benefits. See the contract prospectus for a complete description of these expenses, including sales charges.*

*Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown.*

## Fund Goal and Main Investments

The Fund seeks long-term capital appreciation. Under normal market conditions, the Fund invests at least 80% of its net assets in emerging market investments.

## Fund Risks

All investments involve risks, including possible loss of principal. Special risks are associated with foreign investing, including currency fluctuations, economic instability and political developments. Investments in developing markets, of which frontier markets are a subset, involve heightened risks related to the same factors, in addition to those associated with these markets' smaller size, lesser liquidity and lack of established legal, political, business and social frameworks to support securities markets. Because these frameworks are typically even less developed in frontier markets, as well as various factors including the increased potential for extreme price volatility, illiquidity, trade barriers and exchange controls, the risks associated with developing markets are magnified in frontier markets. The Fund is designed for the aggressive portion of a well-diversified portfolio. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

## Performance Overview

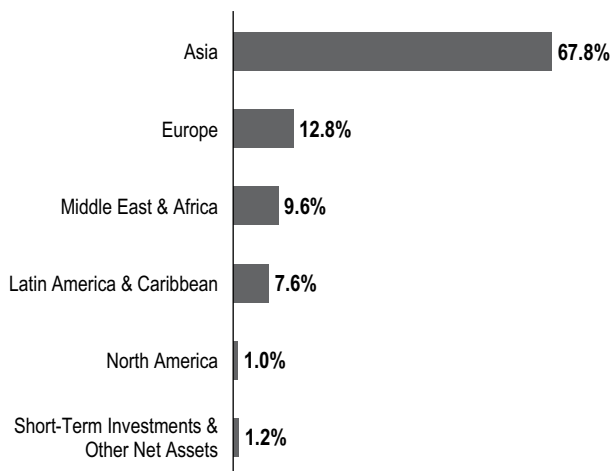
You can find the Fund's six-month total return in the Performance Summary. In comparison, the MSCI Emerging Markets (EM) Index had a -6.51% total return, and the Standard & Poor's®/International Finance Corporation Investable Composite Index had a -6.31% total return for the same period.<sup>1</sup> Please note, index performance numbers are for reference and we do not attempt to track an index but rather undertake investments on the basis of fundamental research.

## Economic and Market Overview

Emerging market economies in general continued to grow faster than developed market economies during the six months under review. China's economy grew slightly slower in 2018's first half compared to the second half of 2017, amid faster growth in consumer spending and slower growth in industrial production, the service industry and fixed-asset investment.

## Geographic Composition

Based on Total Net Assets as of 6/30/18



India's annualized growth rate in 2018's first quarter was the highest it has been since 2016's second quarter, driven by growth in investment, manufacturing and construction. Russia's economy grew in 2018's first quarter compared to the prior-year period, driven by higher oil prices and growth in financials and insurance, real estate and public administration, though US sanctions and a decline in construction weighed on the economy. Brazil's economy grew in 2018's first quarter compared to the prior-year period, though fixed-asset investment growth slowed and government spending contracted. South Africa's economy contracted in the first quarter of 2018 and grew at its slowest annualized rate since 2016's second quarter, with slowing growth in manufacturing and a decline in mining being the main factors. South Korea's economy grew in 2018's first quarter compared to the prior-year period, as did Poland's and Mexico's economies.

Monetary policies varied among emerging market central banks. Brazil's, Russia's and South Africa's central banks cut their benchmark interest rates during the six-month period, while some, including those of India, Turkey and the Czech Republic, raised their benchmark rates. Mexico's central bank raised its benchmark rate twice during the period to ameliorate risk factors for inflation amid uncertainty around the renegotiations of the North American Free Trade Agreement and the country's presidential election in July. China's, South Korea's and Taiwan's central banks left their benchmark interest rates unchanged during the period.

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

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).

Emerging market stocks declined during the six months under review due to investor concerns over rising US interest rates, a strengthening US dollar and rising global trade tensions, particularly between the US and China. Emerging market European stocks were pressured by political instability in Italy, and Asian stocks were hurt by increased tensions in the Korean peninsula, although tensions eased later in the period. However, continued solid earnings performance by many emerging market companies, MSCI's addition of Chinese A-share companies to the MSCI EM Index and MSCI's decision to add Saudi Arabia to the same index in 2019—which could boost investment across the Middle East—offered some encouragement to investors. In this environment, emerging market stocks, as measured by the MSCI EM Index, had a -6.51% total return for the six months ended June 30, 2018.<sup>1</sup>

## Investment Strategy

We employ a fundamental research, value-oriented, long-term investment approach. We focus on the market price of a company's securities relative to our evaluation of its long-term earnings, asset value and cash flow potential. We also consider a company's profit and loss outlook, balance sheet strength, cash flow trends and asset value in relation to the current price of the company's securities. Our analysis considers the company's corporate governance behavior as well as its position in its sector, the economic framework and political environment.

## Manager's Discussion

During the six months under review, key contributors to the Fund's absolute performance included Fila Korea, Uni-President China Holdings and China Petroleum & Chemical (Sinopec).

Fila Korea is one of South Korea's leading sportswear companies. It also licenses the FILA brand around the world and owns a stake in US golf product manufacturer Acushnet. Shares of Fila Korea advanced as the company's efforts to revitalize its domestic business and expand in China helped improve quarterly earnings. Steady financial results from Acushnet also buoyed the stock.

Uni-President China is a leading beverage and instant noodle manufacturer in its home market. It is a unit of Uni-President Enterprises, a food and beverage conglomerate in Taiwan. Shares of Uni-President China rose amid stronger full-year 2017 earnings as the company took steps to raise its profitability. As part of its strategy, it phased out underperforming products and increased its focus on higher margin brands.

## Top 10 Countries

6/30/18

	% of Total Net Assets
China	22.8%
South Korea	17.2%
Taiwan	10.6%
South Africa	8.8%
Russia	8.0%
India	6.3%
Brazil	4.3%
Thailand	3.9%
U.K.	3.0%
Indonesia	2.9%

Sinopec is one of China's largest integrated energy and chemical companies. It is engaged in oil and gas exploration and production. It also manufactures and markets petrochemicals and other chemical products. Sinopec shares benefited from soaring oil prices, with Brent crude oil touching US\$80 per barrel during the period under review. The company also reported robust quarterly earnings.

In contrast, key detractors from the Fund's absolute performance included Brilliance China Automotive Holdings, Samsung Electronics and Naspers.

Brilliance China Automotive manufactures and sells automobiles for the Chinese domestic market, predominantly through its joint venture with German luxury car maker BMW. Brilliance China's share price weakened as its full-year 2017 profit growth missed market expectations. China's plans to remove foreign ownership limits and reduce import tariffs in the auto industry also weighed on the stock. Overall, however, rising wealth in China continued to underpin sales of premium cars in the country, and Brilliance China unveiled plans for new launches to meet consumer demand.

Samsung Electronics is a South Korea-based consumer electronics and semiconductor manufacturer. It is one of the world's largest smartphone and memory chip producers as well as a key supplier of organic light-emitting diode (OLED) displays. Shares of the export-focused company were caught in the crosshairs of mounting global trade tensions. Concerns that Samsung could reduce its production of OLED smartphone panels amid weak demand for Apple's iPhone X also created selling pressure. The stock's decline was capped as Samsung reported better-than-expected quarterly earnings, thanks to strength in its semiconductor business.



Naspers is an internet and media group based in South Africa. It is a leading provider of pay-television services in sub-Saharan Africa. It also has sizable investments in some of the world's leading technology companies, including China-based Tencent Holdings and Russia-based Mail.Ru Group. Shares of Naspers retreated as it trimmed its stake in Tencent to raise cash for e-commerce investments. Nevertheless, it retains a considerable stake in Tencent and its results for fiscal-year 2018 (ended March 31) were significantly lifted by the Chinese company's strong performance.

It is important to recognize the effect of currency movements on the Fund's performance. In general, if the value of the US dollar goes up compared with a foreign currency, an investment traded in that foreign currency will go down in value because it will be worth fewer US dollars. This can have a negative effect on Fund performance. Conversely, when the US dollar weakens in relation to a foreign currency, an investment traded in that foreign currency will increase in value, which can contribute to Fund performance. For the six months ended June 30, 2018, the US dollar rose in value relative to most currencies. As a result, the Fund's performance was negatively affected by the portfolio's investment predominantly in securities with non-US currency exposure.

During the past six months, we increased the Fund's holdings mainly in Mexico as interesting investment opportunities emerged. Key purchases included additional investments in Banco Santander Mexico, one of Mexico's leading banks, as well as in Naver, a South Korea-based online search and mobile messenger company with users across Asia.

Meanwhile, we conducted some sales in favor of stocks that we considered more attractive within our investment universe. We reduced the Fund's holdings mainly in China, South Korea and Hong Kong. From a sector perspective, we sold positions in information technology (IT), consumer discretionary and consumer staples.<sup>2</sup> Key sales included reducing holdings in South Korea-based memory chip maker SK Hynix, Hong Kong-listed gaming company MGM China Holdings, and the aforementioned Tencent Holdings.

Thank you for your participation in Templeton Developing Markets VIP Fund. We look forward to serving your future investment needs.

## Top 10 Holdings

6/30/18

<b>Company Sector/Industry, Country</b>	<b>% of Total Net Assets</b>
Naspers Ltd. <i>Media, South Africa</i>	7.9%
Samsung Electronics Co. Ltd. <i>Technology Hardware, Storage &amp; Peripherals, South Korea</i>	7.8%
Taiwan Semiconductor Manufacturing Co. Ltd. <i>Semiconductors &amp; Semiconductor Equipment, Taiwan</i>	6.5%
Brilliance China Automotive Holdings Ltd. <i>Automobiles, China</i>	5.1%
Alibaba Group Holding Ltd. <i>Internet Software &amp; Services, China</i>	4.9%
Tencent Holdings Ltd. <i>Internet Software &amp; Services, China</i>	3.4%
Unilever PLC <i>Personal Products, U.K.</i>	3.0%
ICICI Bank Ltd. <i>Banks, India</i>	2.3%
LUKOIL PJSC <i>Oil, Gas &amp; Consumable Fuels, Russia</i>	2.1%
Sberbank of Russia PJSC <i>Banks, Russia</i>	1.8%

*The foregoing information reflects our analysis, opinions and portfolio holdings as of June 30, 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.*

2. The IT sector comprises electronic equipment, instruments and components; internet software and services; IT services; semiconductors and semiconductor equipment; and technology hardware, storage and peripherals in the SOI. The consumer discretionary sector comprises auto components; automobiles; distributors; hotels, restaurants and leisure; internet and direct marketing retail; media; and textiles, apparel and luxury goods in the SOI. The consumer staples sector comprises beverages, food and staples retailing, food products and personal products in the SOI.

## Class 2 Fund Expenses

As an investor in a variable insurance contract (Contract) that indirectly provides for investment in an underlying mutual fund, you can incur transaction and/or ongoing expenses at both the Fund level and the Contract Level: (1) transaction expenses can include sales charges (loads) on purchases, surrender fees, transfer fees and premium taxes; and (2) ongoing expenses can include management fees, distribution and service (12b-1) fees, contract fees, annual maintenance fees, mortality and expense risk fees and other fees and expenses. All mutual funds and Contracts have some types of ongoing expenses. The table below shows Fund-level ongoing expenses and can help you understand these costs and compare them with those of other mutual funds offered through the Contract. The table assumes a \$1,000 investment held for the six months indicated. Please refer to the Fund prospectus for additional information on operating expenses.

### Actual Fund Expenses

The table below provides information about the actual account values and actual expenses in the columns under the heading “Actual.” In these columns the Fund’s actual return, which includes the effect of ongoing Fund expenses but does not include the effect of ongoing Contract expenses, is used to calculate the “Ending Account Value.” You can estimate the Fund-level expenses you paid during the period by following these steps (*of course, your account value and expenses will differ from those in this illustration*): Divide your account value by \$1,000 (*if your account had an \$8,600 value, then  $\$8,600 \div \$1,000 = 8.6$* ). Then multiply the result by the number under the headings “Actual” and “Fund-Level Expenses Paid During Period” (*if Fund-Level Expenses Paid During Period were \$ 7.50, then  $8.6 \times \$ 7.50 = \$64.50$* ). In this illustration, the estimated expenses paid this period at the Fund level are \$64.50.

### Hypothetical Example for Comparison with Other Mutual Funds

Under the heading “Hypothetical” in the table, information is provided about hypothetical account values and hypothetical expenses based on the Fund’s actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund’s actual return. This information may not be used to estimate the actual ending account balance or expenses you paid for the period, but it can help you compare ongoing costs of investing in the Fund with those of other mutual funds offered through the Contract. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds offered through the Contract.

*Please note that expenses shown in the table are meant to highlight ongoing costs at the Fund level only and do not reflect any ongoing expenses at the Contract level, or transaction expenses at either the Fund or Contract levels. In addition, while the Fund does not have transaction expenses, if the transaction and ongoing expenses at the Contract level were included, the expenses shown below would be higher. You should consult your Contract prospectus or disclosure document for more information.*

Share Class	Beginning Account Value 1/1/18	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio <sup>2</sup>
		Ending Account Value 6/30/18	Fund-Level Expenses Paid During Period 1/1/18–6/30/18 <sup>1,2</sup>	Ending Account Value 6/30/18	Fund-Level Expenses Paid During Period 1/1/18–6/30/18 <sup>1,2</sup>	
<b>Class 2</b>	\$1,000	\$921.90	\$7.39	\$1,017.11	\$7.75	1.55%

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 181/365 to reflect the one-half year period.

2. Reflects expenses after fee waivers and expense reimbursements. Does not include any ongoing expenses of the Contract for which the Fund is an investment option or acquired fund fees and expenses.

## Financial Highlights

### Templeton Developing Markets VIP Fund

	Six Months Ended June 30, 2018 (unaudited)	2017	2016	Year Ended December 31,		
				2015	2014	2013
<b>Class 1</b>						
<b>Per share operating performance</b>						
(for a share outstanding throughout the period)						
Net asset value, beginning of period . . . . .	\$10.31	\$ 7.42	\$ 6.37	\$ 9.27	\$10.26	\$10.58
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b</sup> . . . . .	0.05	0.08	0.05	0.06	0.15 <sup>c</sup>	0.13
Net realized and unrealized gains (losses) . . .	(0.84)	2.92	1.08	(1.63)	(0.97)	(0.22)
Total from investment operations . . . . .	(0.79)	3.00	1.13	(1.57)	(0.82)	(0.09)
Less distributions from:						
Net investment income . . . . .	(0.11)	(0.11)	(0.08)	(0.20)	(0.17)	(0.23)
Net realized gains . . . . .	—	—	—	(1.13)	—	—
Total distributions . . . . .	(0.11)	(0.11)	(0.08)	(1.33)	(0.17)	(0.23)
Redemption fees . . . . .	—	—	—	—	— <sup>d</sup>	— <sup>d</sup>
Net asset value, end of period . . . . .	\$ 9.41	\$10.31	\$ 7.42	\$ 6.37	\$ 9.27	\$10.26
Total return <sup>e</sup> . . . . .	(7.69)%	40.65%	17.79%	(19.42)%	(8.09)%	(0.73)%
<b>Ratios to average net assets<sup>f</sup></b>						
Expenses before waiver and payments by affiliates . . . . .	1.30%	1.36%	1.38%	1.33%	1.36%	1.35%
Expenses net of waiver and payments by affiliates . . . . .	1.30% <sup>g</sup>	1.35% <sup>h</sup>	1.36%	1.32%	1.36% <sup>g</sup>	1.35%
Net investment income . . . . .	0.95%	0.86%	0.79%	0.74%	1.51% <sup>c</sup>	1.25%
<b>Supplemental data</b>						
Net assets, end of period (000's) . . . . .	\$87,782	\$105,493	\$82,596	\$77,000	\$114,487	\$145,707
Portfolio turnover rate . . . . .	1.78%	10.76%	26.78%	71.69%	82.87%	44.59%

<sup>a</sup>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.

<sup>b</sup>Based on average daily shares outstanding.

<sup>c</sup>Net investment income per share includes approximately \$0.04 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.11%.

<sup>d</sup>Amount rounds to less than \$0.01 per share.

<sup>e</sup>Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. Total return is not annualized for periods less than one year.

<sup>f</sup>Ratios are annualized for periods less than one year.

<sup>g</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

<sup>h</sup>Benefit of expense reduction rounds to less than 0.01%.

**Templeton Developing Markets VIP Fund** (continued)

	<b>Six Months Ended June 30, 2018 (unaudited)</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Class 2</b>						
<b>Per share operating performance</b>						
(for a share outstanding throughout the period)						
Net asset value, beginning of period . . . . .	\$10.23	\$ 7.36	\$ 6.32	\$ 9.20	\$10.19	\$10.50
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b</sup> . . . . .	0.04	0.05	0.04	0.04	0.12 <sup>c</sup>	0.10
Net realized and unrealized gains (losses) . . .	(0.84)	2.91	1.06	(1.61)	(0.96)	(0.21)
Total from investment operations . . . . .	(0.80)	2.96	1.10	(1.57)	(0.84)	(0.11)
Less distributions from:						
Net investment income . . . . .	(0.08)	(0.09)	(0.06)	(0.18)	(0.15)	(0.20)
Net realized gains . . . . .	—	—	—	(1.13)	—	—
Total distributions . . . . .	(0.08)	(0.09)	(0.06)	(1.31)	(0.15)	(0.20)
Redemption fees . . . . .	—	—	—	—	— <sup>d</sup>	— <sup>d</sup>
Net asset value, end of period . . . . .	\$ 9.35	\$10.23	\$ 7.36	\$ 6.32	\$ 9.20	\$10.19
 Total return <sup>e</sup> . . . . .	(7.81)%	40.41%	17.44%	(19.60)%	(8.39)%	(0.92)%
<b>Ratios to average net assets<sup>f</sup></b>						
Expenses before waiver and payments by affiliates . . . . .	1.55%	1.61%	1.63%	1.58%	1.61%	1.60%
Expenses net of waiver and payments by affiliates . . . . .	1.55% <sup>g</sup>	1.60% <sup>h</sup>	1.61%	1.57%	1.61% <sup>g</sup>	1.60%
Net investment income . . . . .	0.70%	0.61%	0.54%	0.49%	1.26% <sup>c</sup>	1.00%
<b>Supplemental data</b>						
Net assets, end of period (000's) . . . . .	\$220,393	\$270,433	\$205,151	\$192,120	\$250,813	\$274,683
Portfolio turnover rate . . . . .	1.78%	10.76%	26.78%	71.69%	82.87%	44.59%

<sup>a</sup>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.

<sup>b</sup>Based on average daily shares outstanding.

<sup>c</sup>Net investment income per share includes approximately \$0.04 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.86%.

<sup>d</sup>Amount rounds to less than \$0.01 per share.

<sup>e</sup>Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. Total return is not annualized for periods less than one year.

<sup>f</sup>Ratios are annualized for periods less than one year.

<sup>g</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

<sup>h</sup>Benefit of expense reduction rounds to less than 0.01%.

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST  
FINANCIAL HIGHLIGHTS

**Templeton Developing Markets VIP Fund** (continued)

	Six Months Ended June 30, 2018 (unaudited)	2017	2016	Year Ended December 31,		
				2015	2014	2013
<b>Class 4</b>						
<b>Per share operating performance</b>						
(for a share outstanding throughout the period)						
Net asset value, beginning of period . . . . .	\$10.28	\$ 7.39	\$ 6.34	\$ 9.22	\$10.20	\$10.50
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b</sup> . . . . .	0.03	0.05	0.03	0.03	0.12 <sup>c</sup>	0.10
Net realized and unrealized gains (losses) . . .	(0.84)	2.92	1.06	(1.62)	(0.97)	(0.21)
Total from investment operations . . . . .	(0.81)	2.97	1.09	(1.59)	(0.85)	(0.11)
Less distributions from:						
Net investment income . . . . .	(0.07)	(0.08)	(0.04)	(0.16)	(0.13)	(0.19)
Net realized gains . . . . .	—	—	—	(1.13)	—	—
Total distributions . . . . .	(0.07)	(0.08)	(0.04)	(1.29)	(0.13)	(0.19)
Redemption fees . . . . .	—	—	—	—	— <sup>d</sup>	— <sup>d</sup>
Net asset value, end of period . . . . .	\$ 9.40	\$10.28	\$ 7.39	\$ 6.34	\$ 9.22	\$10.20
Total return <sup>e</sup> . . . . .	(7.87)%	40.30%	17.32%	(19.70)%	(8.48)%	(1.07)%
<b>Ratios to average net assets<sup>f</sup></b>						
Expenses before waiver and payments by affiliates . . . . .	1.65%	1.71%	1.73%	1.68%	1.71%	1.70%
Expenses net of waiver and payments by affiliates . . . . .	1.65% <sup>g</sup>	1.70% <sup>h</sup>	1.71%	1.67%	1.71% <sup>g</sup>	1.70%
Net investment income . . . . .	0.60%	0.51%	0.44%	0.39%	1.16% <sup>c</sup>	0.90%
<b>Supplemental data</b>						
Net assets, end of period (000's) . . . . .	\$6,154	\$7,199	\$6,377	\$7,109	\$11,106	\$15,225
Portfolio turnover rate . . . . .	1.78%	10.76%	26.78%	71.69%	82.87%	44.59%

<sup>a</sup>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.

<sup>b</sup>Based on average daily shares outstanding.

<sup>c</sup>Net investment income per share includes approximately \$0.04 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.76%.

<sup>d</sup>Amount rounds to less than \$0.01 per share.

<sup>e</sup>Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. Total return is not annualized for periods less than one year.

<sup>f</sup>Ratios are annualized for periods less than one year.

<sup>g</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

<sup>h</sup>Benefit of expense reduction rounds to less than 0.01%.

**Statement of Investments, June 30, 2018 (unaudited)**  
**Templeton Developing Markets VIP Fund**

	Industry	Shares	Value
<b>Common Stocks 95.1%</b>			
<b>Belgium 0.4%</b>			
Anheuser-Busch InBev SA/NV . . . . .	Beverages	12,444	\$ 1,257,619
<b>Brazil 1.1%</b>			
<sup>a</sup> B2W Cia Digital . . . . .	Internet & Direct Marketing Retail	148,600	1,031,558
B3 SA - Brasil Bolsa Balcao . . . . .	Capital Markets	55,400	292,365
M. Dias Branco SA . . . . .	Food Products	136,200	1,314,533
Mahle-Metal Leve SA . . . . .	Auto Components	136,600	917,235
			<u>3,555,691</u>
<b>Cambodia 1.4%</b>			
NagaCorp Ltd. . . . .	Hotels, Restaurants & Leisure	4,780,800	4,344,492
<b>China 22.8%</b>			
<sup>a</sup> Alibaba Group Holding Ltd., ADR . . . . .	Internet Software & Services	82,310	15,270,974
BAIC Motor Corp. Ltd., H . . . . .	Automobiles	1,686,100	1,611,735
<sup>a</sup> Baidu Inc., ADR . . . . .	Internet Software & Services	9,411	2,286,873
Brilliance China Automotive Holdings Ltd. . . . .	Automobiles	8,909,300	16,078,879
China Mobile Ltd. . . . .	Wireless Telecommunication Services	490,500	4,357,333
China Petroleum & Chemical Corp., H . . . . .	Oil, Gas & Consumable Fuels	4,030,000	3,600,576
CNOOC Ltd. . . . .	Oil, Gas & Consumable Fuels	2,000,500	3,452,281
COSCO Shipping Ports Ltd. . . . .	Transportation Infrastructure	1,091,638	909,924
Dah Chong Hong Holdings Ltd. . . . .	Distributors	1,746,100	870,151
<sup>a</sup> Inner Mongolia Yitai Coal Co. Ltd., B . . . . .	Oil, Gas & Consumable Fuels	441,500	602,206
NetEase Inc., ADR . . . . .	Internet Software & Services	8,147	2,058,503
Ping An Bank Co. Ltd., A . . . . .	Banks	1,636,500	2,246,758
Ping An Insurance Group Co. of China Ltd., A . . . . .	Insurance	446,198	3,947,110
Poly Culture Group Corp. Ltd., H . . . . .	Media	229,200	365,152
Tencent Holdings Ltd. . . . .	Internet Software & Services	213,900	10,735,825
Uni-President China Holdings Ltd. . . . .	Food Products	2,099,700	2,697,533
Weifu High-Technology Co. Ltd., B . . . . .	Auto Components	334,339	727,820
			<u>71,819,633</u>
<b>Czech Republic 0.4%</b>			
Moneta Money Bank AS . . . . .	Banks	390,403	1,339,889
<b>Hong Kong 1.7%</b>			
Dairy Farm International Holdings Ltd. . . . .	Food & Staples Retailing	149,333	1,312,637
MGM China Holdings Ltd. . . . .	Hotels, Restaurants & Leisure	603,200	1,399,206
Sands China Ltd. . . . .	Hotels, Restaurants & Leisure	469,600	2,510,782
			<u>5,222,625</u>
<b>Hungary 1.0%</b>			
Richter Gedeon Nyrt . . . . .	Pharmaceuticals	177,170	3,238,997
<b>India 6.3%</b>			
Bajaj Holdings & Investment Ltd. . . . .	Diversified Financial Services	35,390	1,490,040
Biocon Ltd. . . . .	Biotechnology	332,552	3,009,533
Coal India Ltd. . . . .	Oil, Gas & Consumable Fuels	245,918	949,583
Glenmark Pharmaceuticals Ltd. . . . .	Pharmaceuticals	292,323	2,489,613
ICICI Bank Ltd. . . . .	Banks	1,806,409	7,266,799
Infosys Ltd. . . . .	IT Services	119,268	2,277,346
Tata Chemicals Ltd. . . . .	Chemicals	131,000	1,335,354
<sup>a</sup> Tata Motors Ltd., A . . . . .	Automobiles	401,271	929,910
			<u>19,748,178</u>

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST  
STATEMENT OF INVESTMENTS (UNAUDITED)

**Templeton Developing Markets VIP Fund** (continued)

	Industry	Shares	Value
<b>Common Stocks</b> (continued)			
<b>Indonesia 2.9%</b>			
Astra International Tbk PT . . . . .	Automobiles	10,115,100	\$ 4,658,734
Bank Danamon Indonesia Tbk PT . . . . .	Banks	5,707,000	2,538,878
Perusahaan Gas Negara (Persero) Tbk PT. . . . .	Gas Utilities	4,738,900	659,742
Semen Indonesia (Persero) Tbk PT . . . . .	Construction Materials	2,764,700	1,374,633
			<u>9,231,987</u>
<b>Kenya 0.3%</b>			
Equity Group Holdings Ltd. . . . .	Banks	2,127,994	<u>975,419</u>
<b>Mexico 2.0%</b>			
Banco Santander Mexico SA Institucion de Banca Multiple			
Grupo Financiero Santander, ADR . . . . .	Banks	770,019	5,151,427
Nemak SAB de CV . . . . .	Auto Components	1,426,300	980,556
			<u>6,131,983</u>
<b>Nigeria 0.0%†</b>			
Nigerian Breweries PLC . . . . .	Beverages	170,327	<u>53,807</u>
<b>Pakistan 0.6%</b>			
Habib Bank Ltd. . . . .	Banks	1,460,000	<u>1,996,879</u>
<b>Peru 1.3%</b>			
Compania de Minas Buenaventura SA, ADR . . . . .	Metals & Mining	299,680	<u>4,084,638</u>
<b>Philippines 0.2%</b>			
BDO Unibank Inc. . . . .	Banks	327,469	<u>770,140</u>
<b>Russia 8.0%</b>			
Gazprom PJSC, ADR. . . . .	Oil, Gas & Consumable Fuels	666,900	2,935,027
LUKOIL PJSC, ADR. . . . .	Oil, Gas & Consumable Fuels	95,300	6,516,614
<sup>a,b</sup> Mail.Ru Group Ltd., GDR, Reg S . . . . .	Internet Software & Services	127,199	3,688,771
MMC Norilsk Nickel PJSC, ADR . . . . .	Metals & Mining	63,900	1,147,005
Sberbank of Russia PJSC, ADR . . . . .	Banks	402,166	5,805,266
<sup>a</sup> Yandex NV, A . . . . .	Internet Software & Services	136,818	4,911,766
			<u>25,004,449</u>
<b>Singapore 0.2%</b>			
DBS Group Holdings Ltd. . . . .	Banks	25,706	<u>502,064</u>
<b>South Africa 8.8%</b>			
Massmart Holdings Ltd. . . . .	Food & Staples Retailing	293,714	2,391,047
MTN Group Ltd. . . . .	Wireless Telecommunication Services	80,702	635,078
Naspers Ltd., N. . . . .	Media	97,448	24,768,350
			<u>27,794,475</u>
<b>South Korea 17.2%</b>			
Daelim Industrial Co. Ltd. . . . .	Construction & Engineering	32,958	2,260,433
Fila Korea Ltd.. . . . .	Textiles, Apparel & Luxury Goods	147,630	4,453,783
Hankook Tire Co. Ltd. . . . .	Auto Components	21,600	815,277
Hankook Tire Worldwide Co. Ltd.. . . . .	Diversified Financial Services	37,500	588,354
Hanon Systems. . . . .	Auto Components	198,341	1,884,897
HDC Holdings Co. Ltd. . . . .	Construction & Engineering	30,176	773,744
<sup>a</sup> HDC Hyundai Development Co-Engineering & Construction . .	Construction & Engineering	49,151	2,375,147
Hite Jinro Co. Ltd. . . . .	Beverages	64,320	1,133,125
Interpark Holdings Corp.. . . . .	Internet & Direct Marketing Retail	142,053	359,781
KT Skylife Co. Ltd.. . . . .	Media	176,060	2,162,473
LG Corp.. . . . .	Industrial Conglomerates	19,524	1,262,041
Naver Corp. . . . .	Internet Software & Services	6,587	4,505,900
POSCO . . . . .	Metals & Mining	13,592	4,009,116



FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST  
STATEMENT OF INVESTMENTS (UNAUDITED)

**Templeton Developing Markets VIP Fund (continued)**

	Industry	Shares	Value
<b>Common Stocks (continued)</b>			
<b>South Korea (continued)</b>			
Samsung Electronics Co. Ltd. . . . .	Technology Hardware, Storage & Peripherals	588,200	\$ 24,600,619
SK Hynix Inc. . . . .	Semiconductors & Semiconductor Equipment	37,980	2,918,133
			<u>54,102,823</u>
<b>Taiwan 10.6%</b>			
Catcher Technology Co. Ltd. . . . .	Technology Hardware, Storage & Peripherals	341,000	3,817,248
FIT Hon Teng Ltd. . . . .	Electronic Equipment, Instruments & Components	1,759,800	796,234
Hon Hai Precision Industry Co. Ltd. . . . .	Electronic Equipment, Instruments & Components	1,906,500	5,207,170
Largan Precision Co. Ltd. . . . .	Electronic Equipment, Instruments & Components	11,900	1,754,021
Pegatron Corp. . . . .	Technology Hardware, Storage & Peripherals	563,800	1,160,471
Taiwan Semiconductor Manufacturing Co. Ltd. . . . .	Semiconductors & Semiconductor Equipment	2,879,000	20,461,673
			<u>33,196,817</u>
<b>Thailand 3.9%</b>			
Kasikornbank PCL, fgn. . . . .	Banks	619,500	3,754,546
Kiatnakin Bank PCL, fgn. . . . .	Banks	1,009,800	2,073,150
Land and Houses PCL, fgn. . . . .	Real Estate Management & Development	4,853,900	1,662,093
PTT Exploration and Production PCL, fgn. . . . .	Oil, Gas & Consumable Fuels	241,600	1,028,630
Siam Commercial Bank PCL, fgn. . . . .	Banks	306,400	1,100,255
Thai Beverage PCL, fgn. . . . .	Beverages	4,816,500	2,545,326
			<u>12,164,000</u>
<b>United Kingdom 3.0%</b>			
Unilever PLC. . . . .	Personal Products	167,932	9,296,640
<b>United States 1.0%</b>			
<sup>a</sup> IMAX Corp. . . . .	Media	135,942	3,011,115
<b>Total Common Stocks (Cost \$216,603,137) . . . .</b>			<u>298,844,360</u>
<b><sup>c</sup> Participatory Notes (Cost \$1,403,975) 0.5%</b>			
<b>Saudi Arabia 0.5%</b>			
HSBC Bank PLC, Saudi Basic Industries Corp., 1/19/21. . . . .	Chemicals	51,820	1,743,753
<b>Preferred Stocks 3.2%</b>			
<b>Brazil 3.2%</b>			
<sup>d</sup> Banco Bradesco SA, 5.48%, ADR, pfd. . . . .	Banks	690,596	4,737,489
<sup>d</sup> Itau Unibanco Holding SA, 8.866%, ADR, pfd. . . . .	Banks	517,962	5,376,445
<b>Total Preferred Stocks (Cost \$5,860,355) . . . .</b>			<u>10,113,934</u>
<b>Total Investments before Short Term</b>			
<b>Investments (Cost \$223,867,467) . . . . .</b>			<u>310,702,047</u>
<b>Short Term Investments (Cost \$1,862,370) 0.6%</b>			
<b>Money Market Funds 0.6%</b>			
<b>United States 0.6%</b>			
<sup>e,f</sup> Institutional Fiduciary Trust Money Market Portfolio, 1.51%. . . . .		1,862,370	1,862,370
<b>Total Investments (Cost \$225,729,837) 99.4%. . . .</b>			312,564,417
<b>Other Assets, less Liabilities 0.6%. . . . .</b>			1,763,651
<b>Net Assets 100.0% . . . . .</b>			<u>\$314,328,068</u>



FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST  
STATEMENT OF INVESTMENTS (UNAUDITED)

**Templeton Developing Markets VIP Fund** (continued)

See Abbreviations on page TD-22.

<sup>†</sup>Rounds to less than 0.1% of net assets.

<sup>a</sup>Non-income producing.

<sup>b</sup>Security was purchased pursuant to Regulation S under the Securities Act of 1933, which exempts from registration securities offered and sold outside of the United States. Such a security cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. This security has been deemed liquid under guidelines approved by the Trust's Board of Trustees. At June 30, 2018, the value of this security was \$3,688,771, representing 1.2% of net assets.

<sup>c</sup>See Note 1(c) regarding Participatory Notes.

<sup>d</sup>Variable rate security. The rate shown represents the yield at period end.

<sup>e</sup>See Note 3(e) regarding investments in affiliated management investment companies.

<sup>f</sup>The rate shown is the annualized seven-day effective yield at period end.

## Financial Statements

### Statement of Assets and Liabilities

June 30, 2018 (unaudited)

	Templeton Developing Markets VIP Fund
<b>Assets:</b>	
Investments in securities:	
Cost - Unaffiliated issuers . . . . .	\$223,867,467
Cost - Non-controlled affiliates (Note 3e) . . . . .	1,862,370
Value - Unaffiliated issuers . . . . .	\$310,702,047
Value - Non-controlled affiliates (Note 3e) . . . . .	1,862,370
Foreign currency, at value (cost \$11,190) . . . . .	11,190
<b>Receivables:</b>	
Investment securities sold . . . . .	1,171,090
Capital shares sold . . . . .	201,329
Dividends . . . . .	1,496,452
Foreign tax refund . . . . .	22,404
Other assets . . . . .	260
<b>Total assets . . . . .</b>	<b>315,467,142</b>
<b>Liabilities:</b>	
<b>Payables:</b>	
Capital shares redeemed . . . . .	359,983
Management fees . . . . .	279,336
Distribution fees . . . . .	101,265
Reports to shareholders . . . . .	74,072
Deferred tax . . . . .	249,187
Accrued expenses and other liabilities . . . . .	75,231
<b>Total liabilities . . . . .</b>	<b>1,139,074</b>
<b>Net assets, at value . . . . .</b>	<b>\$314,328,068</b>
<b>Net assets consist of:</b>	
Paid-in capital . . . . .	\$240,937,924
Distributions in excess of net investment income . . . . .	(20,426)
Net unrealized appreciation (depreciation) . . . . .	86,556,822
Accumulated net realized gain (loss) . . . . .	(13,146,252)
<b>Net assets, at value . . . . .</b>	<b>\$314,328,068</b>
<b>Class 1:</b>	
Net assets, at value . . . . .	\$ 87,781,537
Shares outstanding . . . . .	9,325,509
Net asset value and maximum offering price per share . . . . .	\$9.41
<b>Class 2:</b>	
Net assets, at value . . . . .	\$220,392,764
Shares outstanding . . . . .	23,580,188
Net asset value and maximum offering price per share . . . . .	\$9.35
<b>Class 4:</b>	
Net assets, at value . . . . .	\$ 6,153,767
Shares outstanding . . . . .	654,694
Net asset value and maximum offering price per share . . . . .	\$9.40

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST  
FINANCIAL STATEMENTS

**Statement of Operations**

for the six months ended June 30, 2018 (unaudited)

	<b>Templeton Developing Markets VIP Fund</b>
Investment income:	
Dividends: (net of foreign taxes)*	
Unaffiliated issuers . . . . .	\$ 4,054,911
Non-controlled affiliates (Note 3e) . . . . .	8,814
Total investment income . . . . .	<u>4,063,725</u>
Expenses:	
Management fees (Note 3a) . . . . .	2,146,662
Distribution fees: (Note 3c)	
Class 2 . . . . .	318,312
Class 4 . . . . .	11,951
Custodian fees (Note 4) . . . . .	64,288
Reports to shareholders . . . . .	78,967
Professional fees . . . . .	39,502
Trustees' fees and expenses . . . . .	875
Other . . . . .	14,361
Total expenses . . . . .	2,674,918
Expenses waived/paid by affiliates (Note 3e) . . . . .	(2,904)
Net expenses . . . . .	<u>2,672,014</u>
Net investment income . . . . .	<u>1,391,711</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers . . . . .	14,951,646
Foreign currency transactions . . . . .	(50,073)
Net realized gain (loss) . . . . .	<u>14,901,573</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers . . . . .	(44,021,324)
Translation of other assets and liabilities	
denominated in foreign currencies . . . . .	(15,117)
Change in deferred taxes on unrealized appreciation . . . . .	412,851
Net change in unrealized appreciation (depreciation) . . . . .	<u>(43,623,590)</u>
Net realized and unrealized gain (loss) . . . . .	<u>(28,722,017)</u>
Net increase (decrease) in net assets resulting from operations . . . . .	<u>\$(27,330,306)</u>

\*Foreign taxes withheld on dividends. . . . . \$ 635,816

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST  
FINANCIAL STATEMENTS

**Statements of Changes in Net Assets**

	<b>Templeton Developing Markets VIP Fund</b>	
	<b>Six Months Ended June 30, 2018 (unaudited)</b>	<b>Year Ended December 31, 2017</b>
Increase (decrease) in net assets:		
Operations:		
Net investment income . . . . .	\$ 1,391,711	\$ 2,374,437
Net realized gain (loss) . . . . .	14,901,573	15,871,903
Net change in unrealized appreciation (depreciation) . . . . .	(43,623,590)	97,762,101
Net increase (decrease) in net assets resulting from operations . . . . .	(27,330,306)	116,008,441
Distributions to shareholders from:		
Net investment income:		
Class 1 . . . . .	(1,013,838)	(1,158,124)
Class 2 . . . . .	(1,947,210)	(2,409,152)
Class 4 . . . . .	(46,243)	(56,318)
Total distributions to shareholders . . . . .	(3,007,291)	(3,623,594)
Capital share transactions: (Note 2)		
Class 1 . . . . .	(9,191,054)	(8,439,257)
Class 2 . . . . .	(28,786,843)	(13,542,309)
Class 4 . . . . .	(481,542)	(1,401,998)
Total capital share transactions . . . . .	(38,459,439)	(23,383,564)
Net increase (decrease) in net assets . . . . .	(68,797,036)	89,001,283
Net assets:		
Beginning of period . . . . .	383,125,104	294,123,821
End of period . . . . .	\$314,328,068	\$383,125,104
Undistributed net investment income included in net assets:		
End of period . . . . .	\$ —	\$ 1,595,154
Distributions in excess of net investment income included in net assets:		
End of period . . . . .	\$ (20,426)	\$ —

## Notes to Financial Statements (unaudited)

### Templeton Developing Markets VIP Fund

#### 1. Organization and Significant Accounting Policies

Franklin Templeton Variable Insurance Products Trust (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of eighteen separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Templeton Developing Markets VIP Fund (Fund) is included in this report. Shares of the Fund are generally sold only to insurance company separate accounts to fund the benefits of variable life insurance policies or variable annuity contracts. The Fund offers three classes of shares: Class 1, Class 2 and Class 4. Each class of shares may differ by its distribution fees, voting rights on matters affecting a single class and its exchange privilege.

The following summarizes the Fund's significant accounting policies.

##### a. Financial Instrument Valuation

The Fund's investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Fund calculates the net asset value (NAV) per share 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 VC provides administration and oversight of the Fund's valuation policies and procedures, which are approved annually by the Board. Among other things, these procedures allow the Fund to utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Equity securities listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded, or as of 4 p.m. Eastern time. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time on the day that the value of the security is determined. Over-the-counter (OTC) securities are

valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

Investments in open-end mutual funds are valued at the closing NAV.

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the VC convenes on a regular basis to review such financial instruments and considers a number of factors, including significant unobservable valuation inputs, when arriving at fair value. The VC primarily employs a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed. The VC employs various methods for calibrating these valuation approaches including a regular review of key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Occasionally, events occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, the VC monitors price movements following the close of trading in foreign stock markets through a series of country specific market proxies (such as baskets of American Depositary Receipts, futures contracts and exchange traded funds). These price movements are measured against

## Templeton Developing Markets VIP Fund (continued)

established trigger thresholds for each specific market proxy to assist in determining if an event has occurred that may call into question the reliability of the values of the foreign securities held by the Fund. If such an event occurs, the securities may be valued using fair value procedures, which may include the use of independent pricing services.

When the last day of the reporting period is a non-business day, certain foreign markets may be open on those days that the Fund's NAV is not calculated, which could result in differences between the value of the Fund's portfolio securities on the last business day and the last calendar day of the reporting period. Any significant security valuation changes due to an open foreign market are adjusted and reflected by the Fund for financial reporting purposes.

### b. Foreign Currency Translation

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies against U.S. dollars on the date of valuation. The Fund may enter into foreign currency exchange contracts to facilitate transactions denominated in a foreign currency. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. Portfolio securities and assets and liabilities denominated in foreign currencies contain risks that those currencies will decline in value relative to the U.S. dollar. Occasionally, events may impact the availability or reliability of foreign exchange rates used to convert the U.S. dollar equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Board.

The Fund does not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and unrealized gain or loss from investments in the Statement of Operations.

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in foreign

exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period.

### c. Participatory Notes

The Fund invests in Participatory Notes (P-Notes). P-Notes are promissory notes that are designed to offer a return linked to the performance of a particular underlying equity security or market. P-Notes are issued by banks or broker-dealers and allow the Fund to gain exposure to common stocks in certain foreign markets without registering with the market regulator. Income received from P-Notes is recorded as dividend income in the Statement of Operations. P-Notes may contain various risks including the potential inability of the counterparty to fulfill their obligations under the terms of the contract. These securities may be more volatile and less liquid than other investments held by the Fund.

### d. Income and Deferred Taxes

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

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

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of June 30, 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.

## Templeton Developing Markets VIP Fund (continued)

### 1. Organization and Significant Accounting Policies (continued)

#### e. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Estimated expenses are accrued daily. Dividend income is recorded on the ex-dividend date except for certain dividends from securities where the dividend rate is not available. In such cases, the dividend is recorded as soon as the information is received by the Fund. Distributions to shareholders are recorded on the ex-dividend date. Distributable earnings are determined according to income tax regulations (tax basis) and may differ from earnings recorded in accordance with U.S. GAAP. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

Common expenses incurred by the Trust are allocated among the Funds based on the ratio of net assets of each Fund to the combined net assets of the Trust 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.

### 2. Shares of Beneficial Interest

At June 30, 2018, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Six Months Ended June 30, 2018		Year Ended December 31, 2017	
	Shares	Amount	Shares	Amount
<b>Class 1 Shares:</b>				
Shares sold . . . . .	388,890	\$ 4,044,488	1,136,991	\$ 10,043,847
Shares issued in reinvestment of distributions . . . . .	105,170	1,013,838	132,055	1,158,124
Shares redeemed . . . . .	(1,396,049)	(14,249,380)	(2,176,842)	(19,641,228)
Net increase (decrease) . . . . .	(901,989)	\$ (9,191,054)	(907,796)	\$ (8,439,257)
<b>Class 2 Shares:</b>				
Shares sold . . . . .	2,492,278	\$ 25,493,243	6,636,331	\$ 58,458,562
Shares issued in reinvestment of distributions . . . . .	203,470	1,947,210	276,596	2,409,152
Shares redeemed . . . . .	(5,557,181)	(56,227,296)	(8,351,598)	(74,410,023)
Net increase (decrease) . . . . .	(2,861,433)	\$ (28,786,843)	(1,438,671)	\$ (13,542,309)

Realized and unrealized gains and losses and net investment income, excluding class specific expenses, are allocated daily to each class of shares based upon the relative proportion of net assets of each class. Differences in per share distributions by class are generally due to differences in class specific expenses.

#### f. Accounting Estimates

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

#### g. Guarantees and Indemnifications

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

**Templeton Developing Markets VIP Fund** (continued)

	Six Months Ended June 30, 2018		Year Ended December 31, 2017	
	Shares	Amount	Shares	Amount
<b>Class 4 Shares:</b>				
Shares sold . . . . .	37,504	\$ 374,300	85,028	\$ 793,112
Shares issued in reinvestment of distributions . . . . .	4,802	46,243	6,437	56,318
Shares redeemed . . . . .	(87,994)	(902,085)	(253,881)	(2,251,428)
Net increase (decrease) . . . . .	(45,688)	\$ (481,542)	(162,416)	\$ (1,401,998)

**3. Transactions with Affiliates**

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

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

**a. Management Fees**

Effective May 1, 2018, the Fund pays an investment management fee to TAML based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
1.050%	Up to and including \$1 billion
1.000%	Over \$1 billion, up to and including \$5 billion
0.950%	Over \$5 billion, up to and including \$10 billion
0.900%	Over \$10 billion, up to and including \$15 billion
0.850%	Over \$15 billion, up to and including \$20 billion
0.800%	In excess of \$20 billion

Prior to May 1, 2018, the Fund paid fees to TAML based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
1.250%	Up to and including \$200 million
1.235%	Over \$200 million, up to and including \$700 million
1.200%	Over \$700 million, up to and including \$1 billion
1.150%	Over \$1 billion, up to and including \$1.2 billion
1.125%	Over \$1.2 billion, up to and including \$5 billion
1.075%	Over \$5 billion, up to and including \$10 billion
1.025%	Over \$10 billion, up to and including \$15 billion
0.975%	Over \$15 billion, up to and including \$20 billion
0.925%	In excess of \$20 billion

For the period ended June 30, 2018, the annualized gross effective investment management fee rate was 1.186% of the Fund's average daily net assets.



## Templeton Developing Markets VIP Fund (continued)

### 3. Transactions with Affiliates (continued)

#### b. Administrative Fees

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

#### c. Distribution Fees

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

#### d. Transfer Agent Fees

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

#### e. Investments in Affiliated Management Investment Companies

The Fund invests in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. Prior to January 1, 2014, the waiver was accounted for as a reduction to management fees. During the period ended June 30, 2018, the Fund held investments in affiliated management investment companies as follows:

	Number of Shares Held at Beginning of Period	Gross Additions	Gross Reductions	Number of Shares Held at End of Period	Value at End of Period	Dividend Income	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)
<b>Non-Controlled Affiliates</b>								
Institutional Fiduciary Trust Money Market Portfolio, 1.51% . . . . .	1,128,203	21,905,607	(21,171,440)	1,862,370	\$1,862,370	\$8,814	\$ —	\$ —

### 4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the period ended June 30, 2018, there were no credits earned.

### 5. Income Taxes

For tax purposes, capital losses may be carried over to offset future capital gains, if any. At December 31, 2017, the capital loss carryforwards were as follows:

Capital loss carryforwards not subject to expiration:	
Short Term . . . . .	\$17,661,798
Long Term . . . . .	7,528,497
Total capital loss carryforwards . . . . .	<u>\$25,190,295</u>

### Templeton Developing Markets VIP Fund (continued)

At June 30, 2018, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments . . . . .	\$230,611,976
Unrealized appreciation . . . . .	\$ 99,880,240
Unrealized depreciation . . . . .	(17,927,799)
Net unrealized appreciation (depreciation) . . . . .	\$ 81,952,441

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatment of corporate actions.

### 6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the period ended June 30, 2018, aggregated \$6,428,581 and \$49,027,914, respectively.

### 7. Concentration of Risk

Investing in foreign securities may include certain risks and considerations not typically associated with investing in U.S. securities, such as fluctuating currency values and changing local and regional economic, political and social conditions, which may result in greater market volatility. In addition, certain foreign securities may not be as liquid as U.S. securities.

The United States and other nations have imposed and could impose additional sanctions on certain issuers in Russia due to regional conflicts. These sanctions could result in the devaluation of Russia's currency, a downgrade in Russian issuers' credit ratings, or a decline in the value and liquidity of Russian stocks or other securities. Such sanctions could also adversely affect Russia's economy, possibly forcing the economy into a recession. The Fund may be prohibited from investing in securities issued by companies subject to such sanctions. In addition, if the Fund holds the securities of an issuer that is subject to such sanctions, an immediate freeze of that issuer's securities could result, impairing the ability of the Fund to buy, sell, receive or deliver those securities. There is also the risk that countermeasures could be taken by Russia's government, which could involve the seizure of the Fund's assets. These risks could affect the value of the Fund's portfolio. While the Fund holds securities of certain issuers impacted by the sanctions, existing investments do not presently violate the applicable terms and conditions of the sanctions. The sanctions currently do not affect the Fund's ability to sell these securities. At June 30, 2018, the Fund had 8.0% of its net assets invested in Russia.

### 8. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton Investments, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matures 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.

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 period ended June 30, 2018, the Fund did not use the Global Credit Facility.

## Templeton Developing Markets VIP Fund (continued)

### 9. Fair Value Measurements

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

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

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

For movements between the levels within the fair value hierarchy, the Fund has adopted a policy of recognizing the transfers as of the date of the underlying event which caused the movement.

A summary of inputs used as of June 30, 2018, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Investments in Securities: <sup>a</sup>				
Equity Investments <sup>b</sup> . . . . .	\$ 308,958,294	\$ —	\$ —	\$ 308,958,294
Participatory Notes . . . . .	—	1,743,753	—	1,743,753
Short Term Investments . . . . .	1,862,370	—	—	1,862,370
Total Investments in Securities . . . . .	\$ 310,820,664	\$ 1,743,753	\$ —	\$ 312,564,417

<sup>a</sup>For detailed categories, see the accompanying Statement of Investments.

<sup>b</sup>Includes common and preferred stocks.

### 10. Subsequent Events

The Fund has evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure.

### Abbreviations

#### Selected Portfolio

<b>ADR</b>	American Depositary Receipt
<b>GDR</b>	Global Depositary Receipt
<b>HDC</b>	Housing Development Corp.

## Tax Information (unaudited)

### Templeton Developing Markets VIP Fund

At December 31, 2017, more than 50% of the Fund's total assets were invested in securities of foreign issuers. In most instances, foreign taxes were withheld from income paid to the Fund on these investments. As shown in the table below, the Fund hereby reports to shareholders the foreign source income and foreign taxes paid, pursuant to Section 853 of the Internal Revenue Code. This written statement will allow shareholders of record on June 14, 2018, to treat their proportionate share of foreign taxes paid by the Fund as having been paid directly by them. The shareholder shall consider these amounts as foreign taxes paid in the tax year in which they receive the Fund distribution.

The following table provides a detailed analysis of foreign tax paid, and foreign source income as reported by the Fund, to Class 1, Class 2, and Class 4 shareholders of record.

<b>Class</b>	<b>Foreign Tax Paid Per Share</b>	<b>Foreign Source Income Per Share</b>
Class 1	\$0.0330	\$0.1410
Class 2	\$0.0330	\$0.1150
Class 4	\$0.0330	\$0.1042

Foreign Tax Paid Per Share (Column 1) is the amount per share available to you, as a tax credit (assuming you held your shares in the Fund for a minimum of 16 days during the 31-day period beginning 15 days before the ex-dividend date of the Fund's distribution to which the foreign taxes relate), or, as a tax deduction.

Foreign Source Income Per Share (Column 2) is the amount per share of income dividends attributable to foreign securities held by the Fund, plus any foreign taxes withheld on these dividends.

# Index Descriptions

The indexes are unmanaged and include reinvestment of any income or distributions. They do not reflect any fees, expenses or sales charges.

For Russell Indexes: 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](http://www.franklintempletondatasources.com) for additional data provider information.

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

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

**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 US and foreign governments, with a significant portion rated below investment grade. For the six-month period ended 6/30/18, there were 331 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

**Lipper VIP Equity Income Funds Classification Average** is an equally weighted average calculation of performance figures for all funds within the Lipper Equity Income Funds classification in the Lipper VIP underlying funds universe. Lipper Equity Income Funds seek relatively high current income and growth of income through investing 60% or more of their portfolios in equities. For the six-month period ended 6/30/18, 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 US Government Funds Classification Average** is an equally weighted average calculation of performance figures for all funds within the Lipper General US Government Funds classification in the Lipper VIP underlying funds universe. Lipper General US Government Funds invest primarily in US government and agency issues. For the six-month period ended 6/30/18, there were 57 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

**MSCI All Country World Index (ACWI)** is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed and emerging markets.

**MSCI All Country World Index (ACWI) ex USA Index** captures large- and mid-capitalization representation across 22 of 23 developed markets countries (excluding the US) and 23 emerging markets countries. The index covers approximately 85% of the global equity opportunity set outside the US.

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

**MSCI 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 US equity market performance.

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

# Shareholder Information

## Board Approval of Investment Management Agreements

### FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST

**Franklin Flex Cap Growth 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 Fund)

At an in-person meeting held on April 17, 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 the continuance of the (i) investment management agreement between Franklin Advisers, Inc. (FAI) and the Trust, on behalf of each of Franklin Flex Cap Growth VIP Fund, Franklin Growth and Income VIP Fund, Franklin Income VIP Fund, Franklin Large Cap Growth VIP Fund, Franklin Rising Dividends 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, and Templeton Global Bond VIP Fund; (ii) the investment sub-advisory agreements between FAI and each of Franklin Advisory Services, LLC and K2/D&S Management Co., LLC (each a Sub-Adviser), affiliates of FAI, on behalf of Franklin VolSmart Allocation VIP Fund; (iii) the investment management agreement between Franklin Templeton Institutional, LLC (FTIL) and the Trust, on behalf of Franklin Global Real Estate VIP Fund; (iv) the investment management agreement between Franklin Mutual Advisers, LLC (FMA) and the Trust, on behalf of each of Franklin Mutual Global Discovery VIP Fund and Franklin

Mutual Shares VIP Fund; (v) the investment management agreement between Franklin Advisory Services, LLC (FAS) and the Trust, on behalf of Franklin Small Cap Value VIP Fund; (vi) the investment management agreement between Templeton Asset Management Ltd. (TAML) and the Trust, on behalf of Templeton Developing Markets VIP Fund; (vii) the investment management agreement between Templeton Investment Counsel, LLC (TICL) and the Trust, on behalf of Templeton Foreign VIP Fund; and (viii) the investment management agreement between Templeton Global Advisors Limited (TGAL) and the Trust, on behalf of Templeton Growth VIP Fund (each a Management Agreement) for an additional one-year period. The Independent Trustees received advice from and met separately with Independent Trustee counsel in considering whether to approve the continuation of each Management Agreement. Although the Management Agreements for the Funds were considered at the same Board meeting, the Board considered the information provided to it about the Funds together and with respect to each Fund separately as the Board deemed appropriate. FAI, FTIL, FMA, FAS, TAML, TICL, TGAL and the Sub-Advisers are each referred to herein as a Manager.

In considering the continuation of each Management Agreement, the Board reviewed and considered information provided by each Manager at the Meeting and throughout the year at meetings of the Board and its committees. The Board also reviewed and considered information provided in response to a detailed set of requests for information submitted to each Manager by Independent Trustee counsel on behalf of the Independent Trustees in connection with the annual contract renewal process. In addition, prior to the Meeting, the Independent Trustees held a telephonic contract renewal meeting at which the Independent Trustees conferred amongst themselves and Independent Trustee counsel about contract renewal matters. The Board reviewed and considered all of the factors it deemed relevant in approving the continuance of each Management Agreement, including, but not limited to: (i) the nature, extent and quality of the services provided by each Manager; (ii) the investment performance of each Fund; (iii) the costs of the services provided and profits realized by each Manager and its affiliates from the relationship with each Fund; (iv) the extent to which economies of scale are realized as each Fund grows; and (v) whether fee levels reflect these economies of scale for the benefit of Fund investors.

In approving the continuance of each Management Agreement, the Board, including a majority of the Independent Trustees, determined that the terms of the Management Agreement are



fair and reasonable and that the continuance of such Management Agreement is in the interests of the applicable Fund and its shareholders. While attention was given to all information furnished, the following discusses some primary factors relevant to the Board's determination.

#### **Nature, Extent and Quality of Services**

The Board reviewed and considered information regarding the nature, extent and quality of investment management services provided by each Manager and its affiliates to the Funds and their shareholders. This information included, among other things, the qualifications, background and experience of the senior management and investment personnel of each Manager; the structure of investment personnel compensation; oversight of third-party service providers; investment performance reports and related financial information for each Fund; reports on expenses, shareholder services, marketing support payments made to financial intermediaries and third party servicing arrangements; legal and compliance matters; risk controls; pricing and other services provided by each Manager and its affiliates; and management fees charged by each Manager and its affiliates to U.S. funds and other accounts, including management's explanation of differences among accounts where relevant. The Board also reviewed and considered an annual report on payments made by Franklin Templeton Investments (FTI) or the Funds to financial intermediaries, as well as a memorandum relating to third-party servicing arrangements in response to a guidance update in 2016 from the U.S. Securities and Exchange Commission (SEC) relating to mutual fund distribution and sub-accounting fees. The Board noted management's continuing efforts and expenditures in establishing effective business continuity plans and developing strategies to address areas of heightened concern in the mutual fund industry, such as cybersecurity and liquidity risk management. The Board also recognized management's commitment to facilitating Board oversight of particular areas, including derivatives and payments to intermediaries, by enhanced reporting.

The Board also reviewed and considered the benefits provided to Fund shareholders of investing in a fund that is part of the Franklin Templeton family of funds. The Board noted the financial position of Franklin Resources, Inc. (FRI), the Managers' parent, and its commitment to the mutual fund business as evidenced by its continued introduction of new funds, reassessment of the fund offerings in response to the market environment and project initiatives and capital investments relating to the services provided to the Funds by the FTI organization.

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

#### **Fund Performance**

The Board reviewed and considered the performance results of each Fund over various time periods ended January 31, 2018. The Board considered the performance returns for each 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 a Performance Universe. The Board also reviewed and considered Fund performance reports provided and discussions that occurred with portfolio managers at Board meetings throughout the year. A summary of each Fund's performance results is below.

*Franklin Flex Cap Growth VIP Fund* - The Performance Universe for this Fund included the Fund and all multi-cap growth funds underlying variable insurance products (VIPs). The Board noted that the Fund's annualized total return for the one-year period was above the median of its Performance Universe, but for the three-, five- and 10-year periods was below the median of its Performance Universe. The Board concluded that the Fund's performance was satisfactory, noting the Fund's second quintile, one-year period performance of 33.96%. The Board also noted the actions management has taken in an effort to address the Fund's performance, including changes to the Fund's portfolio management team and enhancements to the team's security selection process.

*Franklin Global Real Estate VIP Fund* - The Performance Universe for this Fund included the Fund and all global real estate funds underlying VIPs. The Board noted that the Fund's annualized total return for the one- and 10-year periods was below the median of its Performance Universe, but for the three- and five-year periods was above the median of its Performance Universe. The Board concluded that the Fund's performance was acceptable. In doing so, the Board noted that the Fund's annualized total return for the one-year period, while below the median, exceeded 10.3%.

*Franklin Growth and Income VIP Fund* - The Performance Universe for this Fund included the Fund and all equity income funds underlying VIPs. The Board noted that the Fund's annualized income return and annualized total return for the



one-, three-, five- and 10-year periods were above the medians of its Performance Universe. The Board concluded that the Fund's performance was satisfactory.

*Franklin Income VIP Fund and Franklin Strategic Income VIP Fund* - The Performance Universe for the Franklin Income VIP Fund included the Fund and all mixed-asset target allocation moderate funds underlying VIPs. The Performance Universe for the Franklin Strategic Income VIP Fund included the Fund and all general bond funds underlying VIPs. The Board noted that the Funds' annualized income returns for the one-, three-, five- and 10-year periods were above the medians of their respective Performance Universes. The Board also noted that the Funds' annualized total returns for the one-, three- and five-year periods were below the medians of their respective Performance Universes, but for the 10-year period were above the medians of their respective Performance Universes. Given the Funds' income-oriented investment objectives, the Board concluded that the Funds' performance was satisfactory.

*Franklin Large Cap Growth VIP Fund* - The Performance Universe for this Fund included the Fund and all multi-cap growth funds underlying VIPs. The Board noted that the Fund's annualized total return for the one- and three-year periods was above the median of its Performance Universe, but for the five- and 10-year periods was below the median of its Performance Universe. The Board concluded that the Fund's performance was satisfactory. In doing so, the Board noted that the Fund's annualized total return for the one-year period exceeded 32% and the annualized total return for the five- and 10-year periods, while below the median, exceeded 14.9% and 8.9%, respectively.

*Franklin Mutual Global Discovery VIP Fund* - The Performance Universe for this Fund included the Fund and all global multi-cap value funds underlying VIPs. The Board noted that the Fund's annualized total return for the one- and three-year periods was below the median of its Performance Universe, but for the five- and 10-year periods was above the median and in the first quintile (the best) of its Performance Universe. The Board concluded that the Fund's performance was acceptable. In doing so, the Board noted that the Fund's annualized total return for the one- and three-year periods, while below the median, exceeded 11.0% and 7.7%, respectively.

*Franklin Mutual Shares VIP Fund and Franklin Small-Mid Cap Growth VIP Fund* - The Performance Universe for the Franklin Mutual Shares VIP Fund included the Fund and all large-cap value funds underlying VIPs. The Performance

Universe for the Franklin Small-Mid Cap Growth VIP Fund included the Fund and all mid-cap growth funds underlying VIPs. The Board noted that the Funds' annualized total returns for the one-, three-, five- and 10-year periods were below the medians of their respective Performance Universes. The Board discussed the Funds' performance with management. The Board noted management's explanation that the Franklin Mutual Shares VIP Fund's overweight exposure to U.S. based insurance companies, pharmaceutical stocks, and media stocks detracted from Fund performance. Management further explained that it remains consistent in its disciplined bottom-up investment approach focused on identifying and investing in companies that are trading at a significant discount to their intrinsic value. The Board also noted management's explanation that the Franklin Small-Mid Cap Growth VIP Fund's positioning in the healthcare, consumer discretionary, and industrial sectors was a primary detractor from relative performance over the one-, three-, and five-year periods. The Board further noted management's explanation that it has reduced the Fund's exposure to stock selection risk in those industries and had made changes to the portfolio management team in 2017. The Board also noted management's report that, since January 31, 2018, the Fund has recovered approximately 150 basis points in relative performance for the one-year period and is approximately even with the index and peer average, year-to-date. The Board further noted that the annualized total returns for the one-year period, while below the median, exceeded 11.1% for the Franklin Mutual Shares VIP Fund and 22.4% for the Franklin Small-Mid Cap Growth VIP Fund.

*Franklin Rising Dividends VIP Fund and Templeton Developing Markets VIP Fund* - The Performance Universe for the Franklin Rising Dividends VIP Fund included the Fund and all multi-cap core funds underlying VIPs. The Performance Universe for the Templeton Developing Markets VIP Fund included the Fund and all emerging markets funds underlying VIPs. The Board noted that the Funds' annualized total returns for the one-, three- and 10-year periods were above the medians of their respective Performance Universes, but for the five-year period were below the medians of their respective Performance Universes. The Board concluded that the Funds' performance was satisfactory. In doing so, the Board noted that the annualized total returns for the one-year period exceeded 24.8% for the Franklin Rising Dividends VIP Fund and 41.4% for the Templeton Developing Markets VIP Fund.

*Franklin Small Cap Value VIP Fund* - The Performance Universe for this Fund included the Fund and all small-cap value funds underlying VIPs. The Board noted that the Fund's

annualized total return for the one-, three-, five- and 10-year periods was above the median of its Performance Universe. The Board concluded that the Fund's performance was satisfactory.

*Franklin U.S. Government Securities VIP Fund* - The Performance Universe for this Fund included the Fund and all general U.S. government funds underlying VIPs. The Board noted that the Fund's annualized income return for the one-, three-, five- and 10-year periods was above the median and in the first quintile (the best) of its Performance Universe. The Board also noted that the Fund's annualized total return for the one-, five- and 10-year periods was slightly below the median of its Performance Universe, but for the three-year period was above the median and in the first quintile (the best) of its Performance Universe. The Board concluded that the Fund's performance was satisfactory given the Fund's income-oriented investment objective and the nature of the Fund's investments, which are primarily in U.S. mortgage-backed securities.

*Franklin VolSmart Allocation VIP Fund* - The Performance Universe for this Fund included the Fund and all flexible portfolio funds underlying VIPs. The Fund has been in operation for less than five years. The Board noted that the Fund's annualized total return for the one- and three-year periods was above the median of its Performance Universe. The Board concluded that the Fund's performance was satisfactory.

*Templeton Foreign VIP Fund* - The Performance Universe for this Fund included the Fund and all international multi-cap value funds underlying VIPs. The Board noted that the Fund's annualized total return for one-, three- and five-year periods was below the median of its Performance Universe, but for the 10-year period was above the median and in the first quintile (the best) of its Performance Universe. The Board discussed the Fund's performance with management and noted management's explanation that Fund positions in the health care, energy, materials and technology sectors detracted from Fund performance over the one-, three- and five-year periods. Management further explained that it was reviewing the relevant thesis underlying its research conclusions to ensure management's continued conviction that the Fund's portfolio holdings are undervalued. The Board concluded that the Fund's performance was acceptable. In doing so, the Board noted management's explanation and that the Fund's annualized total return for the one-year period, while below the median, exceeded 17.2%.

*Templeton Global Bond VIP Fund* - The Performance Universe for this Fund included the Fund and all global income funds underlying VIPs. The Board noted that the Fund's annualized

income return for the one-year period was below the median of its Performance Universe, but for the three-, five- and 10-year periods was above the median and in the first (the best) or second quintile of its Performance Universe. The Board also noted that the Fund's annualized total return for the one- and three-year periods was below the median of its Performance Universe, but for the five- and 10-year periods was above the median of its Performance Universe. Given the Fund's income-oriented investment objective, the Board concluded that the Fund's performance was satisfactory.

*Templeton Growth VIP Fund* - The Performance Universe for this Fund included the Fund and all global multi-cap value funds underlying VIPs. The Board noted that the Fund's annualized total return for the one-, three- and five-year periods was above the median and in the first (the best) or second quintile of its Performance Universe, but for the 10-year period was below the median of its Performance Universe. The Board concluded that the Fund's performance was satisfactory. In doing so, the Board noted that the Fund's annualized total return for the one-year period exceeded 22.1%.

### **Comparative Fees and Expenses**

The Board reviewed and considered information regarding each Fund's actual 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 also noted the quarterly and annual reports it receives on all marketing support payments made by FTI to financial intermediaries. The Board considered the actual total expense ratio and, separately, the contractual management fee rate, without the effect of fee waivers (Management Rate), if any, of each 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 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. The Board received a description of the

methodology used by Broadridge to select the mutual funds included in an Expense Group.

Franklin Flex Cap Growth VIP Fund, Franklin Strategic Income VIP Fund, and Templeton Growth VIP Fund - The Expense Group for the Franklin Flex Cap Growth VIP Fund included the Fund and eight other multi-cap growth funds underlying VIPs. The Expense Group for the Franklin Strategic Income VIP Fund included the Fund and eight other general bond funds underlying VIPs. The Expense Group for the Templeton Growth VIP Fund included the Fund, one other global multi-cap value fund underlying VIPs, three global multi-cap core funds underlying VIPs and two global multi-cap growth funds underlying VIPs. The Board noted that the Management Rates for these Funds were slightly above the medians of their respective Expense Groups, but their actual total expense ratios were below the medians of their respective Expense Groups. The Board concluded that the Management Rates charged to these Funds are reasonable. In doing so, the Board noted that the Franklin Flex Cap Growth Fund's actual total expense ratio reflected a fee waiver from management.

Franklin Small-Mid Cap Growth VIP Fund - The Expense Group for the Fund included the Fund and eight other mid-cap growth funds underlying VIPs. The Board noted that the Management Rate and actual total expense ratio for the Fund were equal to the medians of its Expense Group. The Board concluded that the Management Rate charged to the Fund is reasonable.

Franklin Global Real Estate VIP Fund, Franklin Mutual Global Discovery VIP Fund, Franklin Mutual Shares VIP Fund, Templeton Developing Markets VIP Fund - The Expense Group for the Franklin Global Real Estate VIP Fund included the Fund and seven other global real estate funds underlying VIPs. The Expense Group for the Franklin Mutual Global Discovery VIP Fund included the Fund, one other global multi-cap value fund underlying VIPs, three global multi-cap core funds underlying VIPs and five global multi-cap growth funds underlying VIPs. The Expense Group for the Franklin Mutual Shares VIP Fund included the Fund and 10 other large-cap value funds underlying VIPs. The Expense Group for the Templeton Developing Markets VIP Fund included the Fund and eight other emerging markets funds underlying VIPs. The Board noted that the Management Rates and actual total expense ratios for these Funds were above the medians of their respective Expense Groups. The Board concluded that the Management Rates charged to these Funds are reasonable. With respect to the Franklin Mutual Shares VIP Fund and the

Franklin Mutual Global Discovery VIP Fund, the Board noted management's explanation that the portfolio management team makes investments in distressed securities and merger arbitrage that are specialist in nature and therefore merit a higher Management Rate. With respect to the Franklin Global Real Estate VIP Fund, the Board noted management's explanation that the portfolio managers' rigorous fundamental analysis with the inclusion of more active risk controls merits a higher Management Rate. Finally, with respect to the Templeton Developing Markets VIP Fund, the Board noted management's agreement to reduce the Management Rate applicable to the Fund.

Franklin Growth and Income VIP Fund, Franklin Income VIP Fund, Franklin Rising Dividends VIP Fund, Franklin Small Cap Value VIP Fund, Franklin U.S. Government Securities VIP Fund, Templeton Foreign VIP Fund and Templeton Global Bond VIP Fund - The Expense Group for the Franklin Growth and Income VIP Fund included the Fund and seven other equity income funds underlying VIPs. The Expense Group for the Franklin Income VIP Fund included the Fund and seven other mixed-asset target allocation moderate funds underlying VIPs. The Expense Group for the Franklin Rising Dividends VIP Fund included the Fund and nine other multi-cap core funds underlying VIPs. The Expense Group for the Franklin Small Cap Value VIP Fund included the Fund and eight other small-cap value funds underlying VIPs. The Expense Group for the Franklin U.S. Government Securities VIP Fund included the Fund and nine other general U.S. government funds underlying VIPs. The Expense Group for the Templeton Foreign VIP Fund included the Fund, five other international multi-cap value funds underlying VIPs and four international multi-cap core funds underlying VIPs. The Expense Group for the Templeton Global Bond VIP Fund included the Fund and seven other global income funds underlying VIPs. The Board noted that the Management Rates and actual total expense ratios for these Funds were below the medians of their respective Expense Groups. The Board concluded that the Management Rates charged to these Funds are reasonable. The Board also noted that the Franklin Growth and Income VIP Fund's actual total expense ratio reflected a fee waiver from management.

Franklin Large Cap Growth VIP Fund - The Expense Group for the Fund included the Fund and seven other multi-cap growth funds underlying VIPs. The Board noted that the Management Rate for the Fund was equal to the median of its Expense Group, but its actual total expense ratio was below the

median of its Expense Group. The Board concluded that the Management Rate charged to the Fund is reasonable.

*Franklin VolSmart Allocation VIP Fund* – The Expense Group for the Fund included the Fund and four other flexible portfolio funds underlying VIPs. The Board noted the small size of the Expense Group. The Board also noted that the Management Rate for the Fund was below the median of its Expense Group and its actual total expense ratio was slightly above the median of its Expense Group. The Board concluded that the Management Rate charged to the Fund is reasonable. In doing so, the Board noted that the Fund's actual total expense ratio reflected a fee waiver from management and that the Sub-Advisers were paid by FAI out of the management fee FAI received from the Fund.

### **Profitability**

The Board reviewed and considered information regarding the profits realized by each Manager and its affiliates in connection with the operation of each Fund. In this respect, the Board considered the Fund profitability analysis provided by each Manager that addresses the overall profitability of FTI's U.S. fund business, as well as its profits in providing investment management and other services to each of the individual funds during the 12-month period ended September 30, 2017, being the most recent fiscal year-end for FRI. The Board noted that although management continually makes refinements to its methodologies used in calculating profitability in response to organizational and product related changes, the overall methodology has remained consistent with that used in the Funds' profitability report presentations from prior years. Additionally, PricewaterhouseCoopers LLP, auditor to Franklin Resources, Inc. and certain Franklin Templeton funds, has been engaged by each Manager to periodically review and assess the allocation methodologies to be used solely by the Funds' Board with respect to the profitability analysis.

The Board noted management's belief that costs incurred in establishing the infrastructure necessary for the type of mutual fund operations conducted by each Manager and its affiliates may not be fully reflected in the expenses allocated to each Fund in determining its profitability, as well as the fact that the level of profits, to a certain extent, reflected operational cost savings and efficiencies initiated by management. The Board also noted management's expenditures in improving shareholder services provided to the Funds, as well as the need to implement systems and meet additional regulatory and compliance requirements resulting from recent SEC and other regulatory requirements.

The Board also considered the extent to which each Manager and its affiliates might derive ancillary benefits from fund operations, including revenues generated from transfer agent services, potential benefits resulting from personnel and systems enhancements necessitated by fund growth, as well as increased leverage with service providers and counterparties. Based upon its consideration of all these factors, the Board concluded that the level of profits realized by each Manager and its affiliates from providing services to each Fund was not excessive in view of the nature, extent and quality of services provided to each Fund.

### **Economies of Scale**

The Board reviewed and considered the extent to which each Manager may realize economies of scale, if any, as each Fund grows larger and whether the Fund's management fee structure reflects any economies of scale for the benefit of shareholders. With respect to possible economies of scale, the Board noted the existence of management fee breakpoints for each Fund (except for the Franklin VolSmart Allocation VIP Fund), which operate generally to share any economies of scale with a Fund's shareholders by reducing the Fund's effective management fees as the Fund grows in size. The Board considered each Manager's view that any analyses of potential economies of scale in managing a particular fund are inherently limited in light of the joint and common costs and investments each Manager incurs across the Franklin Templeton family of funds as a whole. The Board concluded that to the extent economies of scale may be realized by each Manager and its affiliates, each Fund's management fee structure (except that of the Franklin VolSmart Allocation VIP Fund) provided a sharing of benefits with the Fund and its shareholders as the Fund grows. The Board recognized that there would not likely be any economies of scale for the Franklin Flex Cap Growth VIP Fund, Franklin Global Real Estate VIP Fund, Franklin Growth and Income VIP Fund, Franklin Large Cap Growth VIP Fund and Franklin VolSmart Allocation VIP Fund until each Fund's assets grow. The Board also recognized that given the decline in assets over the past three calendar years for each of the Franklin Small-Mid Cap Growth VIP Fund, Franklin Strategic Income VIP Fund, Templeton Foreign VIP Fund and Templeton Growth VIP Fund, these Funds are not expected to experience additional economies of scale in the foreseeable future.

### **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 the continuation of each Management Agreement for an additional one-year period.

## **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](http://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](http://franklintempleton.com) and posted on the US Securities and Exchange Commission's website at [sec.gov](http://sec.gov) and reflect the most recent 12-month period ended June 30.

## **Quarterly Statement of Investments**

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



**Semiannual Report**  
**Franklin Templeton Variable Insurance Products Trust**

**Investment Managers**

Franklin Advisers, Inc.  
Franklin Advisory Services, LLC  
Franklin Mutual Advisers, LLC  
Franklin Templeton Institutional, LLC  
Templeton Asset Management Ltd.  
Templeton Global Advisors Limited  
Templeton Investment Counsel, LLC

**Fund Administrator**

Franklin Templeton Services, LLC

**Distributor**

Franklin Templeton Distributors, Inc.

Franklin Templeton Variable Insurance Products Trust (FTVIP) shares are not offered to the public; they are offered and sold only to: (1) insurance company separate accounts (Separate Account) to serve as the underlying investment vehicle for variable contracts; (2) certain qualified plans; and (3) other mutual funds (funds of funds).

Authorized for distribution to investors in Separate Accounts only when accompanied or preceded by the current prospectus for the applicable contract, which includes the Separate Account and the FTVIP prospectuses. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. The prospectus contains this and other information; please read it carefully before investing.

To help ensure we provide you with quality service, all calls to and from our service areas are monitored and/or recorded.



## SEMIANNUAL REPORT

June 30, 2018

T. ROWE PRICE

# International Stock Portfolio

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## HIGHLIGHTS

- The International Stock Portfolio posted a loss in the six months ended June 30, 2018. The portfolio outperformed its MSCI benchmark but underperformed its Lipper peer group.
- The portfolio benefited from stock selection in the information technology and financials sectors, but consumer staples holdings detracted from relative results.
- We buy and hold companies with durable franchises that we believe can generate steady earnings and cash flow growth over the long term.
- Valuations across the portfolio remain reasonable and, while we continue to look for good risk-adjusted returns, we keep a watchful eye on capital preservation.

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## Dear Investor

U.S. stocks recorded decent gains in the first half of 2018, but unlike last year, investors had to absorb some bumps along the way. In February, volatility spiked and the S&P 500 Index briefly tumbled over 10% from its highs, putting it in correction territory. The major U.S. benchmarks recovered their losses in the spring, eventually bringing the technology-focused Nasdaq Composite Index and the smaller-cap indexes to new highs. Volatility stayed somewhat elevated, however, and many investors clearly remained anxious as the first half of your fund's fiscal year ended.

Solid corporate and economic fundamentals initially seemed to promise that 2017's strong stock market momentum might carry forward into 2018. Continued global synchronized growth led to strong profits for many multinationals. In the U.S., earnings for the S&P 500 rose by nearly 25% in the first quarter versus a year before, according to FactSet—the best performance since the recovery from the financial crisis. Profit growth also picked up in Europe, Japan, and emerging markets, even as growth in many international economies cooled a bit.

Inflation fears presented the first obstacle to the markets in February, however. Stocks tumbled on news that hourly wages had jumped in January, sparking fears that the Federal Reserve would pick up its pace of interest rate increases in order to head off inflation. Wage growth moderated in the following months, but a series of strong economic reports raised growth expectations and sent long-term interest rates to multiyear peaks by May. Investors also worried that the massive U.S. fiscal stimulus from December's tax cuts and March's spending bill might overheat the economy, though interest rates fell back in late May and June as Fed officials stressed their intention to move slowly in tightening monetary policy.

Trade tensions soon emerged as a second impediment for the markets. The Trump administration began implementing a more populist trade stance in March, announcing tariffs on steel and aluminum imports, threatening to withdraw from the North American Free Trade Agreement (NAFTA), and later raising the possibility of taxing auto imports. The administration also announced a steady escalation in possible tariffs on Chinese goods, eventually targeting a list of \$200 billion in Chinese imports. China and other U.S. trading partners vowed to retaliate proportionately.

Investors initially seemed willing to dismiss the tit-for-tat threats as negotiating tactics, but evidence eventually emerged that even the prospect of tariffs was impacting corporate strategies and profit outlooks. Stocks slumped on June 21, after German automaker Daimler lowered its earnings guidance due

to possible tariff increases on SUVs it manufactures in the U.S. and sells in China. A few days later, Harley-Davidson revealed that it was planning to move some of its motorcycle production to Europe to avoid retaliatory tariffs recently announced by the European Union.

Boeing, Caterpillar, and other leading exporters suffered declines as trade tensions worsened, but small-caps, which typically have far less international exposure, fared much better than large-caps in the first half of the year. Growth shares continued to outperform value shares despite the strong performance of energy stocks, which benefited from a rise in oil prices to multiyear highs. Stocks in overseas markets reacted particularly poorly to growing trade fears and fell for the period. A decline in many currencies relative to the dollar also weighed on international bond and stock returns for U.S. investors.

Meanwhile, technology shares continued to dominate, with much of the market's overall gain to date in 2018 concentrated in a handful of mega-cap companies able to leverage dominant Internet platforms. Data breaches and concerns about the growing power of these firms resulted in calls for government intervention in early 2018. For now, however, the threat of increased regulation seems a longer-term one that appears minor in comparison to the powerful fundamental strength of these companies.

T. Rowe Price's global team of industry experts is monitoring the possible impact of tariffs and other challenges on a wide range of companies—from the global tech titans to small, domestic firms that get little analyst coverage on Wall Street. While the rest of 2018 may bring further surprises, you can rest assured that your portfolio manager is drawing on a wide range of insights in seeking to provide shareholders with superior returns while minimizing the impact of unforeseen political events or other pitfalls.

Thank you for your continued confidence in T. Rowe Price.

Sincerely,



Robert Sharps  
Group Chief Investment Officer

**INVESTMENT OBJECTIVE**

The fund seeks long-term growth of capital through investments primarily in the common stocks of established, non-U.S. companies.

**FUND COMMENTARY****How did the fund perform in the past six months?**

The International Stock Portfolio returned -2.31% in the six-month period ended June 30, 2018. The portfolio outperformed the benchmark MSCI All Country World Index ex USA but underperformed the Lipper peer group of international multi-cap growth funds. *(Past performance cannot guarantee future results.)*

**PERFORMANCE COMPARISON**

Six-Month Period Ended 6/30/18	Total Return
International Stock Portfolio	-2.31%
MSCI All Country World Index ex USA	-3.44
Lipper Variable Annuity Underlying International Multi-Cap Growth Funds Average	-1.22

**What factors influenced the fund's performance?**

We outperformed our benchmark largely due to stock selection in the information technology, financials, and health care sectors. Stock selection in the consumer staples and energy sectors detracted from relative performance. Our underweight in energy was also a relative detractor during the period.

We generated a solid absolute and relative performance contribution from stock selection in the information technology sector. The portfolio benefited from the strong performance of **MasterCard** and **Wirecard** in the IT services segment and **Scout 24 Holding** in the Internet software and services industry. At 19.7% of assets, information technology was our largest allocation at the end of the reporting period and the biggest overweight allocation versus the MSCI benchmark. (Please refer to the portfolio of investments for a complete list of holdings and the amount each represents in the portfolio.)

**SECTOR DIVERSIFICATION**

	Percent of Net Assets	
	12/31/17	6/30/18
Information Technology	17.7%	19.7%
Financials	18.4	18.2
Health Care	14.3	14.0
Consumer Staples	14.5	12.6
Industrials and Business Services	11.9	11.8
Consumer Discretionary	8.3	9.3
Materials	3.8	3.8
Telecommunication Services	3.7	3.4
Energy	2.7	3.1
Utilities	1.6	1.7
Real Estate	0.7	0.6
Other and Reserves	2.4	1.8
Total	100.0%	100.0%

Historical weightings reflect current industry/sector classifications.

Stock selection in the financials sector provided a significant relative performance contribution. Because stocks in the sector struggled during the period, our underweight allocation also contributed to relative returns. At 18.2% of the portfolio, it is our second-largest sector allocation. We favor companies that are gaining market share and yielded good results from holdings such as insurer **AIA Group** and bank holdings including **First Bank of Abu Dhabi** and **Grupo Financiero Santander Mexico**. In our view, European financials are poised to benefit from regulatory headwinds dissipating and an upturn in the economic environment. However, our positions in Italian insurer and asset manager **Banca Mediolanum** and **UBS** performed poorly and were among our largest relative performance detractors as investors focused on political uncertainty stemming from the Italian elections and the prospect of interest rates remaining lower for longer in the eurozone. Within the health care sector, another area of solid returns, **GN Store Nord** and **Astellas Pharma** were among our best absolute and relative performers.

In the consumer staples sector, tobacco industry holdings posted large losses. **British American Tobacco** was the portfolio's largest absolute and relative performance detractor. It is now the world's biggest tobacco company, following the firm's acquisition of Reynolds American. The stock peaked in January 2018 and started a steep decline in February, as fears of intensifying competition and regulatory uncertainty surrounding the Food and Drug Administration's possible limitations on nicotine levels in traditional combustible cigarettes weighed on investor sentiment. We added to the position as the share price fell. We believe that the company can generate earnings growth from its traditional cigarette products and its smokeless and heat-not-burn (HNB) brands, even as global tobacco consumption declines.

**Philip Morris International's** stock has also underperformed due to the same regulatory uncertainties that have weighed on the industry as a whole. However, the company's stock also came under pressure in April following an update that showed the growth of its HNB products in Japan had slowed unexpectedly. However, we believe that, on a medium-term view, Philip Morris remains well positioned with its HNB product, which offers the potential to generate durable earnings growth for the company over time. We trimmed our stake in **Japan Tobacco**, another significant detractor. Japan Tobacco declined sharply in early 2018 after it reported that operating profits declined more than expected, and it remains more challenged than some peers with regard to next-generation product technology.

### How is the fund positioned?

Overall, our regional views have not materially changed. Europe (43% of portfolio assets) offers a number of durable growth companies where we see good risk/reward opportunities. Our holdings in the Pacific ex-Japan region accounted for 27% of assets, and we continue to fund select opportunities in Japan (15%), which has shown uneven progress on Abenomics.

The portfolio holds more defensive companies than it has historically. The shift was driven entirely by stock selection. We want to own growth stocks that trade at a reasonable price, as valuations have moved higher across the broad market. Similarly, we remain overweight to select consumer staples companies that we think have reasonable valuations because of their steady recurring revenues and defensive characteristics.

From a regional perspective, our North America holdings (9%) generate most of their revenues in international markets. For example, we like the prospects for **Booking Holdings** (formerly Priceline) and MasterCard, which possess significant runways for growth. Within emerging markets, stock selection has been a material contributor to our relative results. Nonetheless, we remain underweight to emerging markets overall, in part because we have a bearish view on commodity-linked economies, which have a large weight in emerging markets. Stock selection in the Pacific ex-Japan region also detracted, particularly our large positions in **NAVER**, a South Korean Internet provider, and **CK Hutchison Holdings**, a diversified, Hong Kong-based conglomerate with interests in major port operations, as well as stakes in European telecommunications companies.

### What is portfolio management's outlook?

International equity market valuations remain reasonable in our view, as the past quarter's choppy markets kept valuations relatively unchanged. The momentum-driven environment we have seen dominate for the last several quarters continued despite signs of decelerating growth, a flattening yield curve in the U.S., and a divergence of the synchronized global growth

trends since late 2017. We think the quality and durability of corporate earnings will prove to be the determining factor in whether valuations are reasonable or stretched.

European valuations have become more attractive, particularly in sectors such as financials, as investors worry about the political backdrop. Certain emerging markets, including China, are also more reasonably valued as macroeconomic concerns weighed on stocks despite an attractive earnings growth outlook for many companies. The recent volatility indicates that investors are becoming more unsettled by the rhetoric coming out of Washington, Beijing, and elsewhere, and investors have become less sanguine about the possibility of an escalating trade war.

We have generally maintained our more defensive positioning, an approach that has yielded outperformance thus far this year. Our sector outlooks are little changed. Financials (particularly European financial services and select emerging markets banks and insurers) remain attractive. While our overall allocation has not shifted markedly, we have changed some of the positions, buying or adding **Banco Bradesco**, **Ping An Insurance**, and UBS, and exiting some of our Nordic bank holdings that have performed well. In health care, we continue to find good individual opportunities in the pharma and medical technology segments, despite difficult headlines around drug pricing in the U.S. Information technology sector valuations have risen, but not overly so relative to our view of the growth they offer.

Regionally, we remain underweight emerging markets and Japan. Our bearish view on oil tends to make certain emerging markets relatively less attractive. That being said, the broad weakness in the asset class has created opportunities, particularly in some cyclical areas including financials, where we added to Brazilian consumer discretionary holdings, and a Philippine conglomerate, **SM Investments**. In Japan, while results in terms of broad economic reform stemming from Abenomics have been disappointing in our view, there has been steady progress in terms of working to improve corporate returns.

As always, we are focused on finding companies that we think will continue to post durable growth. We utilize a top-down overlay to complement our stock selection process. We believe our best insights will come at the company level rather than from attempting to time the markets.

The views expressed reflect the opinions of T. Rowe Price 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.

**RISKS OF INTERNATIONAL INVESTING**

Portfolios that invest overseas generally carry more risk than those that invest strictly in U.S. assets. Portfolios investing in a single country or in a limited geographic region tend to be riskier than more diversified offerings. Risks can result from varying stages of economic and political development; differing regulatory environments, trading days, and accounting standards; and higher transaction costs of non-U.S. markets. Non-U.S. investments are also subject to currency risk, or a decline in the value of a foreign currency versus the U.S. dollar, which reduces the dollar value of securities denominated in that currency.

**BENCHMARK INFORMATION**

Note: MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed, or produced by MSCI.

**TWENTY-FIVE LARGEST HOLDINGS**

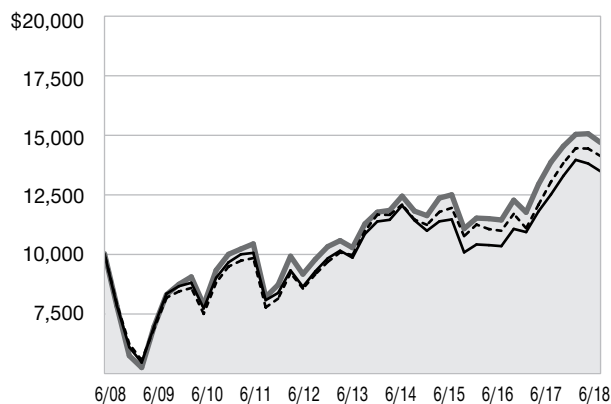
Company	Country	Percent of Net Assets 6/30/18
Bayer	Germany	2.3%
British American Tobacco	United Kingdom	2.3
Tencent Holdings	China	2.2
AIA Group	Hong Kong	2.0
Alibaba Group Holding	China	1.7
UBS	Switzerland	1.7
Thales	France	1.7
CK Hutchison Holdings	Hong Kong	1.6
Nestle	Switzerland	1.6
Essity	Sweden	1.6
Housing Development Finance	India	1.6
Seven & i Holdings	Japan	1.6
Booking Holdings	United States	1.5
Taiwan Semiconductor Manufacturing	Taiwan	1.5
Erste Group Bank	Austria	1.5
Nippon Telegraph & Telephone	Japan	1.5
Samsung Electronics	South Korea	1.4
Fresenius	Germany	1.4
Amadeus IT	Spain	1.4
Jardine Matheson Holdings	Hong Kong	1.3
NAVER	South Korea	1.3
Shire	United Kingdom	1.2
Mitsubishi Electric	Japan	1.2
MasterCard	United States	1.2
NTPC Limited	India	1.2
<b>Total</b>		<b>39.5%</b>

Note: The information shown does not reflect any exchange-traded funds (ETFs), cash reserves, or collateral for securities lending that may be held in the portfolio.

## GROWTH OF \$10,000

This chart shows the value of a hypothetical \$10,000 investment in the portfolio over the past 10 fiscal year periods or since inception (for portfolios lacking 10-year records). The result is compared with benchmarks, which include a broad-based market index and may also include a peer group average or index. Market indexes do not include expenses, which are deducted from portfolio returns as well as mutual fund averages and indexes.

### INTERNATIONAL STOCK PORTFOLIO



As of 6/30/18

— International Stock Portfolio	\$14,662
--- MSCI All Country World Index ex USA	13,454
--- Lipper Variable Annuity Underlying International Multi-Cap Growth Funds Average	14,208

## AVERAGE ANNUAL COMPOUND TOTAL RETURN

Periods Ended 6/30/18	1 Year	5 Years	10 Years
International Stock Portfolio	5.93%	7.42%	3.90%

The fund's performance information represents only past performance and is not necessarily an indication of future results. Current performance may be lower or higher than the performance data cited. Share price, principal value, and return will vary, and you may have a gain or loss when you sell your shares. For the most recent month-end performance, please contact a T. Rowe Price representative at 1-800-469-6587 (financial advisors, or customers who have an advisor, should call 1-800-638-8790). Total returns do not include charges imposed by your insurance company's separate account. If these had been included, performance would have been lower.

This table shows how the portfolio would have performed each year if its actual (or cumulative) returns for the periods shown had been earned at a constant rate. Average annual total return figures include changes in principal value, reinvested dividends, and capital gain distributions. When assessing performance, investors should consider both short- and long-term returns.

## FUND EXPENSE EXAMPLE

As a mutual fund shareholder, you may incur two types of costs: (1) transaction costs, such as redemption fees or sales loads, and (2) ongoing costs, including management fees, distribution and service (12b-1) fees, and other fund expenses. The following example is intended to help you understand your ongoing costs (in dollars) of investing in the fund and to compare these costs with the ongoing costs of investing in other mutual funds. The example is based on an investment of \$1,000 invested at the beginning of the most recent six-month period and held for the entire period.

### Actual Expenses

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

### Hypothetical Example for Comparison Purposes

The information on the second line of the table (Hypothetical) is based on hypothetical account values and expenses derived from the fund's actual expense ratio and an assumed 5% per year rate of return before expenses (not the fund's actual return). You may compare the ongoing costs of investing in the fund with other funds by contrasting this 5% hypothetical example and the 5% hypothetical examples that appear in the shareholder reports of the other funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

You should also be aware that the expenses shown in the table highlight only your ongoing costs and do not reflect any transaction costs, such as redemption fees or sales loads. Therefore, the second line of the table is useful in comparing ongoing costs only and will not help you determine the relative total costs of owning different funds. To the extent a fund charges transaction costs, however, the total cost of owning that fund is higher.

### INTERNATIONAL STOCK PORTFOLIO

	Beginning Account Value 1/1/18	Ending Account Value 6/30/18	Expenses Paid During Period* 1/1/18 to 6/30/18
Actual	\$1,000.00	\$976.90	\$5.15
Hypothetical (assumes 5% return before expenses)	1,000.00	1,019.59	5.26

\*Expenses are equal to the fund's annualized expense ratio for the 6-month period (1.05%), multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year (181), and divided by the days in the year (365) to reflect the half-year period. Prior to July 1, 2018, the annual investment management fee for the fund was 1.05%. Effective July 1, 2018, Price Associates agreed to reduce the fund's management fee to 0.95%. For the International Stock Portfolio, the actual ending account value and expenses paid during the period would have been \$977.39 and \$4.66, respectively, and the hypothetical ending account value and expenses paid during the period would have been \$1,020.08 and \$4.76, respectively, had the fund's reduced management fee been in effect throughout the full 6-month period.

T. ROWE PRICE INTERNATIONAL STOCK PORTFOLIO

Unaudited

FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

	6 Months Ended 6/30/18	Year Ended 12/31/17	12/31/16	12/31/15	12/31/14	12/31/13
<b>NET ASSET VALUE</b>						
Beginning of period	\$ 17.35	\$ 14.27	\$ 14.67	\$ 15.26	\$ 15.72	\$ 13.90
Investment activities						
Net investment income <sup>(1)</sup>	0.19	0.17	0.17	0.14	0.15	0.17
Net realized and unrealized gain / loss	(0.59)	3.80	0.14	(0.28)	(0.35)	1.78
Total from investment activities	(0.40)	3.97	0.31	(0.14)	(0.20)	1.95
Distributions						
Net investment income	-	(0.19)	(0.16)	(0.15)	(0.17)	(0.13)
Net realized gain	-	(0.70)	(0.55)	(0.30)	(0.09)	-
Total distributions	-	(0.89)	(0.71)	(0.45)	(0.26)	(0.13)
<b>NET ASSET VALUE</b>						
End of period	\$ 16.95	\$ 17.35	\$ 14.27	\$ 14.67	\$ 15.26	\$ 15.72
<b>Ratios/Supplemental Data</b>						
Total return <sup>(2)</sup>	(2.31)%	27.88%	2.13%	(0.90)%	(1.24)%	14.05%
Ratio of total expenses to average net assets	1.05% <sup>(3)</sup>	1.05%	1.05%	1.05%	1.05%	1.05%
Ratio of net investment income to average net assets	2.18% <sup>(3)</sup>	1.04%	1.15%	0.88%	0.94%	1.13%
Portfolio turnover rate	18.5%	34.0%	39.5%	37.3%	45.3%	53.1%
Net assets, end of period (in thousands)	\$ 327,443	\$ 382,759	\$ 310,621	\$ 305,031	\$ 329,646	\$ 355,918

<sup>(1)</sup> Per share amounts calculated using average shares outstanding method.

<sup>(2)</sup> Total return reflects the rate that an investor would have earned on an investment in the fund during each period, assuming reinvestment of all distributions. Total return is not annualized for periods less than one year.

<sup>(3)</sup> Annualized

The accompanying notes are an integral part of these financial statements.

## T. ROWE PRICE INTERNATIONAL STOCK PORTFOLIO

June 30, 2018 (Unaudited)

PORTFOLIO OF INVESTMENTS†	Shares	\$ Value
(Cost and value in \$000s)		
<b>ARGENTINA 0.2%</b>		
<b>Common Stocks 0.2%</b>		
Globant (USD)(1)	13,213	750
<b>Total Argentina</b> <b>(Cost \$689)</b>		<b>750</b>
<b>AUSTRALIA 1.9%</b>		
<b>Common Stocks 1.9%</b>		
Amcor	333,413	3,552
South32	969,573	2,589
<b>Total Australia</b> <b>(Cost \$3,959)</b>		<b>6,141</b>
<b>AUSTRIA 1.5%</b>		
<b>Common Stocks 1.5%</b>		
Erste Group Bank	115,082	4,798
<b>Total Austria</b> <b>(Cost \$3,749)</b>		<b>4,798</b>
<b>BELGIUM 0.8%</b>		
<b>Common Stocks 0.8%</b>		
Anheuser-Busch InBev	26,488	2,672
<b>Total Belgium</b> <b>(Cost \$3,036)</b>		<b>2,672</b>
<b>BRAZIL 1.2%</b>		
<b>Common Stocks 1.2%</b>		
Banco Bradesco, Class A, ADR (USD)	240,900	1,652
BB Seguridade Participacoes	220,086	1,389
Pagseguro Digital, Class A (USD)(1)	29,110	808
<b>Total Brazil</b> <b>(Cost \$4,447)</b>		<b>3,849</b>
<b>CANADA 4.8%</b>		
<b>Common Stocks 4.8%</b>		
Alimentation Couche-Tard, Class B	43,067	1,871
Canadian Natural Resources	100,600	3,631
Canadian Pacific Railway	11,245	2,061
Magna International (USD)	42,793	2,487
Restaurant Brands International (USD)	36,400	2,195
Seven Generations Energy, Class A (1)	168,646	1,859

	Shares	\$ Value
(Cost and value in \$000s)		
TransCanada (USD)	38,200	1,650
<b>Total Canada</b> <b>(Cost \$14,264)</b>		<b>15,754</b>
<b>CHILE 0.5%</b>		
<b>Common Stocks 0.5%</b>		
Liberty Latin America, Class C (USD)(1)	81,368	1,577
<b>Total Chile</b> <b>(Cost \$1,994)</b>		<b>1,577</b>
<b>CHINA 7.6%</b>		
<b>Common Stocks 6.1%</b>		
Alibaba Group Holding, ADR (USD)(1)	30,700	5,696
China Mengniu Dairy (HKD)	561,000	1,892
China Overseas Land & Investment (HKD)	612,000	2,009
Ctrip.com International, ADR (USD)(1)	45,033	2,145
Ping An Insurance Group, H Shares (HKD)	135,500	1,241
Tencent Holdings (HKD)	141,600	7,110
		20,093
<b>Common Stocks - China A shares 1.3%</b>		
BTG Hotels Group (CNH)	204,700	836
Gree Electric Appliances, A Shares (CNH)	209,300	1,483
Kweichow Moutai (CNH)	16,574	1,823
		4,142
<b>Convertible Preferred Stocks 0.2%</b>		
Xiaoju Kuaizhi, Class A-17 Acquisition Date: 10/19/15, Cost \$343 (USD)(1)(2)(3)	12,518	605
		605
<b>Total China</b> <b>(Cost \$11,427)</b>		<b>24,840</b>
<b>DENMARK 0.6%</b>		
<b>Common Stocks 0.6%</b>		
GN Store Nord (4)	43,469	1,975
<b>Total Denmark</b> <b>(Cost \$893)</b>		<b>1,975</b>

	Shares	\$ Value
(Cost and value in \$000s)		
<b>FINLAND 1.1%</b>		
<b>Common Stocks 1.1%</b>		
Sampo, A Shares	71,486	3,481
<b>Total Finland</b> <b>(Cost \$3,091)</b>		<b>3,481</b>
<b>FRANCE 6.2%</b>		
<b>Common Stocks 6.2%</b>		
Air Liquide	24,135	3,025
Airbus	20,790	2,426
BNP Paribas	39,229	2,427
Dassault Aviation	1,622	3,084
Schneider Electric	29,949	2,491
Thales	42,878	5,516
Total	24,158	1,467
<b>Total France</b> <b>(Cost \$15,581)</b>		<b>20,436</b>
<b>GERMANY 8.5%</b>		
<b>Common Stocks 8.5%</b>		
Bayer	68,915	7,568
Fresenius	55,755	4,464
Infineon Technologies	61,972	1,574
Linde	8,886	2,111
Merck	24,599	2,395
Scout24 (5)	62,534	3,310
Siemens Healthineers (1)(5)	33,820	1,394
Telefonica Deutschland Holding	472,999	1,861
Wirecard (4)	14,645	2,343
Zalando (1)(5)	11,936	665
<b>Total Germany</b> <b>(Cost \$19,889)</b>		<b>27,685</b>
<b>HONG KONG 5.0%</b>		
<b>Common Stocks 5.0%</b>		
AIA Group	763,600	6,652
CK Hutchison Holdings	505,884	5,355
Jardine Matheson Holdings (USD)	68,800	4,336
<b>Total Hong Kong</b> <b>(Cost \$11,921)</b>		<b>16,343</b>
<b>INDIA 4.4%</b>		
<b>Common Stocks 4.4%</b>		
Axis Bank (1)	407,358	3,026
Housing Development Finance	183,998	5,127
NTPC	1,685,691	3,924

	Shares	\$ Value
(Cost and value in \$000s)		
Power Grid of India	568,050	1,555
Wipro	200,110	761
<b>Total India</b> <b>(Cost \$8,899)</b>		<b>14,393</b>
<b>INDONESIA 1.4%</b>		
<b>Common Stocks 1.4%</b>		
Bank Central Asia	2,186,700	3,266
Sarana Menara Nusantara	32,631,000	1,412
<b>Total Indonesia</b> <b>(Cost \$2,884)</b>		<b>4,678</b>
<b>ITALY 0.8%</b>		
<b>Common Stocks 0.8%</b>		
Banca Mediolanum	384,386	2,596
<b>Total Italy</b> <b>(Cost \$2,903)</b>		<b>2,596</b>
<b>JAPAN 14.6%</b>		
<b>Common Stocks 14.6%</b>		
Astellas Pharma	129,400	1,969
Bridgestone (6)	40,100	1,566
Chugai Pharmaceutical	47,100	2,466
Disco	4,100	698
Fujitsu General	127,300	1,990
Inpex	151,300	1,571
Japan Tobacco	64,600	1,805
Kansai Paint	56,800	1,179
Koito Manufacturing	24,700	1,632
Kusuri no Aoki Holdings	11,400	759
Mercari (1)	6,900	283
Mitsubishi Electric	299,200	3,970
Murata Manufacturing	15,800	2,652
Nippon Telegraph & Telephone	104,700	4,756
Persol Holdings	46,900	1,045
Renesas Electronics (1)	143,400	1,402
Sega Sammy Holdings	46,800	801
Seven & i Holdings	116,800	5,094
Stanley Electric	37,500	1,277
Sumitomo	203,200	3,332
Suzuki Motor	35,300	1,945
Takeda Pharmaceutical (6)	37,200	1,565
Terumo	27,300	1,563
Tokio Marine Holdings	17,200	805
Yahoo! Japan (6)	534,100	1,769
<b>Total Japan</b> <b>(Cost \$39,769)</b>		<b>47,894</b>



	Shares	\$ Value
(Cost and value in \$000s)		
<b>MALAYSIA 0.2%</b>		
<b>Common Stocks 0.2%</b>		
Astro Malaysia Holdings	1,350,100	531
<b>Total Malaysia</b> <b>(Cost \$1,166)</b>		<b>531</b>
<b>MEXICO 0.5%</b>		
<b>Common Stocks 0.5%</b>		
Banco Santander Mexico, ADR (USD)	240,470	1,609
<b>Total Mexico</b> <b>(Cost \$2,037)</b>		<b>1,609</b>
<b>NETHERLANDS 2.4%</b>		
<b>Common Stocks 2.4%</b>		
Adyen (1)	334	184
ASML Holding	15,533	3,074
Koninklijke Philips	41,695	1,766
NXP Semiconductors (USD)(1)	26,229	2,866
<b>Total Netherlands</b> <b>(Cost \$4,763)</b>		<b>7,890</b>
<b>PERU 0.3%</b>		
<b>Common Stocks 0.3%</b>		
Credicorp (USD)	4,856	1,093
<b>Total Peru</b> <b>(Cost \$764)</b>		<b>1,093</b>
<b>PHILIPPINES 0.3%</b>		
<b>Common Stocks 0.3%</b>		
SM Investments	54,330	891
<b>Total Philippines</b> <b>(Cost \$890)</b>		<b>891</b>
<b>SINGAPORE 0.5%</b>		
<b>Common Stocks 0.5%</b>		
Sea, ADR (USD)(1) (6)	106,847	1,603
<b>Total Singapore</b> <b>(Cost \$1,479)</b>		<b>1,603</b>
<b>SOUTH AFRICA 0.5%</b>		
<b>Common Stocks 0.5%</b>		
FirstRand	379,208	1,762

	Shares	\$ Value
(Cost and value in \$000s)		
<b>Total South Africa</b> <b>(Cost \$1,240)</b>		<b>1,762</b>
<b>SOUTH KOREA 3.3%</b>		
<b>Common Stocks 3.3%</b>		
LG Household & Health Care	1,732	2,170
NAVER	6,114	4,184
Samsung Electronics	108,470	4,544
<b>Total South Korea</b> <b>(Cost \$6,904)</b>		<b>10,898</b>
<b>SPAIN 3.2%</b>		
<b>Common Stocks 3.2%</b>		
Amadeus IT, A Shares	56,219	4,421
CaixaBank	492,939	2,122
Grifols, ADR (USD)	181,176	3,895
<b>Total Spain</b> <b>(Cost \$7,477)</b>		<b>10,438</b>
<b>SWEDEN 2.4%</b>		
<b>Common Stocks 2.4%</b>		
Essity, B Shares	208,991	5,141
Hexagon, B Shares	51,000	2,834
<b>Total Sweden</b> <b>(Cost \$6,181)</b>		<b>7,975</b>
<b>SWITZERLAND 5.6%</b>		
<b>Common Stocks 5.6%</b>		
dormakaba Holding	1,761	1,230
Julius Baer Group	52,518	3,076
Nestle	67,558	5,236
Roche Holding	13,972	3,100
UBS Group	361,253	5,538
<b>Total Switzerland</b> <b>(Cost \$16,481)</b>		<b>18,180</b>
<b>TAIWAN 2.3%</b>		
<b>Common Stocks 2.3%</b>		
Largan Precision	19,000	2,791
Taiwan Semiconductor Manufacturing	687,000	4,879
<b>Total Taiwan</b> <b>(Cost \$4,454)</b>		<b>7,670</b>

	Shares	\$ Value
(Cost and value in \$000s)		
<b>THAILAND 0.6%</b>		
<b>Common Stocks 0.6%</b>		
CP ALL	844,600	1,874
<b>Total Thailand</b> <b>(Cost \$911)</b>		<b>1,874</b>
<b>UNITED ARAB EMIRATES 1.0%</b>		
<b>Common Stocks 1.0%</b>		
DP World (USD)	47,883	1,102
First Abu Dhabi Bank	703,600	2,329
<b>Total United Arab Emirates</b> <b>(Cost \$2,182)</b>		<b>3,431</b>
<b>UNITED KINGDOM 10.1%</b>		
<b>Common Stocks 10.1%</b>		
AstraZeneca, ADR (USD)	33,400	1,173
British American Tobacco	146,541	7,382
Burberry Group	70,632	2,007
ConvaTec Group (5)	819,941	2,289
Liberty Global, Series C (USD)(1)	36,714	977
LivaNova (USD)(1)	20,315	2,028
London Stock Exchange Group	44,778	2,636
Playtech	32,647	324
Prudential	133,764	3,049
Reckitt Benckiser Group	20,389	1,675
Shire	70,777	3,988
Smith & Nephew	121,940	2,246
Vodafone Group	1,326,395	3,213
<b>Total United Kingdom</b> <b>(Cost \$30,654)</b>		<b>32,987</b>
<b>Total Investments in Securities</b>		
<b>100.5% of Net Assets (Cost \$251,470)</b>		<b>\$ 329,132</b>

	Shares	\$ Value
(Cost and value in \$000s)		
<b>UNITED STATES 4.0%</b>		
<b>Common Stocks 4.0%</b>		
Altice USA, Class A (1)	27,729	473
Booking Holdings (1)	2,467	5,001
Mastercard, Class A	20,100	3,950
Philip Morris International	22,473	1,814
Waste Connections	24,200	1,822
<b>Total United States</b> <b>(Cost \$7,114)</b>		<b>13,060</b>
<b>SHORT-TERM INVESTMENTS 1.1%</b>		
<b>MONEY MARKET FUNDS 1.1%</b>		
T. Rowe Price Government Reserve Fund, 1.91% (7)(8)	3,764,836	3,765
<b>Total Short-Term Investments</b> <b>(Cost \$3,765)</b>		<b>3,765</b>
<b>SECURITIES LENDING COLLATERAL 1.1%</b>		
<b>Investments in a Pooled Account through Securities Lending Program with JPMorgan Chase Bank 1.1%</b>		
<b>Short-Term Funds 1.1%</b>		
T. Rowe Price Short-Term Fund 2.08% (7)(8)	361,268	3,613
<b>Total Investments through Securities Lending Program with JPMorgan Chase Bank</b>		<b>3,613</b>
<b>Total Securities Lending Collateral</b> <b>(Cost \$3,613)</b>		<b>3,613</b>
<b>\$ 329,132</b>		

‡ Country classifications are generally based on MSCI categories or another unaffiliated third party data provider; Shares and Notional Amount are denominated in the currency of the country presented unless otherwise noted.

- (1) Non-income producing
  - (2) Security cannot be offered for public resale without first being registered under the Securities Act of 1933 and related rules ("restricted security"). Acquisition date represents the day on which an enforceable right to acquire such security is obtained and is presented along with related cost in the security description. The fund has registration rights for certain restricted securities. Any costs related to such registration are borne by the issuer. The aggregate value of restricted securities (excluding 144A holdings) at period-end amounts to \$605 and represents 0.2% of net assets.
  - (3) Level 3 in fair value hierarchy. See Note 2.
  - (4) All or a portion of this security is pledged to cover written call options at June 30, 2018.
  - (5) Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration only to qualified institutional buyers – total value of such securities at June 30, 2018 amounts to \$7,658 and represents 2.3% of net assets.
  - (6) All or a portion of this security is on loan at June 30, 2018 – total value of such securities at period-end amounts to \$3,477. See Note 4.
  - (7) Affiliated Company
  - (8) Seven-day yield
- ADR American Depositary Receipts  
 CNH Offshore China Renminbi  
 DKK Danish Krone  
 EUR Euro Dollar  
 GBP British Pound  
 HKD Hong Kong Dollar  
 JPY Japanese Yen  
 USD U.S. Dollar

(Amounts in 000s except for contracts)

**OPTIONS WRITTEN 0.0%****Exchange-Traded Options Written 0.0%**

<b>Description</b>	<b>Contracts</b>	<b>Notional Amount</b>	<b>Value</b>
Goldman Sachs, Wirecard, Call, 7/20/18 @135 (EUR)	11	150 \$	(10)
Goldman Sachs, Wirecard, Call, 7/20/18 @144 (EUR)	10	137	(4)
JPMorgan Chase, GN Store Nord, Call, 8/17/18 @ 290 (DKK)	38	1,102	(5)
JPMorgan Chase, GN Store Nord, Call, 8/17/18 @ 300 (DKK)	37	1,073	(3)
Standard Bank, GN Store Nord, Call, 8/17/18 @ 280 (DKK)	40	1,160	(10)
<b>Total Exchange-Traded Options Written (Premiums \$(20))</b>			<b>(32)</b>
<b>Total Options Written (Premiums \$(20))</b>		<b>\$</b>	<b>(32)</b>

**Forward Currency Exchange Contracts**

(Amounts in 000s)

Counterparty	Settlement	Receive	Deliver		Unrealized Gain (Loss)
Bank of America Merrill Lynch	7/13/18	USD	1,692 GBP	(1,265) \$	21
Citibank	7/13/18	USD	2,500 JPY	(275,220)	12
<b>Net unrealized gain (loss) on open forward currency exchange contracts</b>					<b>\$ 33</b>

**Affiliated Companies**

(\$000s)

The fund may invest in certain securities that are considered affiliated companies. As defined by the 1940 Act, an affiliated company is one in which the fund owns 5% or more of the outstanding voting securities, or a company that is under common ownership or control. The following securities were considered affiliated companies for all or some portion of the six months ended June 30, 2018. Net realized gain (loss), investment income, change in net unrealized gain/loss, and purchase and sales cost reflect all activity for the period then ended.

<b>Affiliate</b>	<b>Net Realized Gain (Loss)</b>	<b>Change in Net Unrealized Gain/Loss</b>	<b>Investment Income</b>
T. Rowe Price Government Reserve Fund	\$ —	\$ —	\$ 41
T. Rowe Price Short-Term Fund	—	—	— <sup>++</sup>
<b>Totals</b>	<b>\$ —<sup>#</sup></b>	<b>\$ —</b>	<b>\$ 41<sup>+</sup></b>

**Supplementary Investment Schedule**

<b>Affiliate</b>	<b>Value 12/31/17</b>	<b>Purchase Cost</b>	<b>Sales Cost</b>	<b>Value 6/30/18</b>
T. Rowe Price Government Reserve Fund	\$ 8,732	□	□ \$	3,765
T. Rowe Price Short-Term Fund	3,330	□	□	3,613
			\$	7,378 <sup>^</sup>

# Capital gain distributions from mutual funds represented \$0 of the net realized gain (loss).

++ Excludes earnings on securities lending collateral, which are subject to rebates and fees such as described in Note 4.

+ Investment income comprised \$41 of dividend income and \$0 of interest income.

□ Purchase and sale information not shown for cash management funds.

^ The cost basis of investments in affiliated companies was \$7,378.

The accompanying notes are an integral part of these financial statements.

June 30, 2018 (Unaudited)

**STATEMENT OF ASSETS AND LIABILITIES**

(\$000s, except shares and per share amounts)

**Assets**

Investments in securities, at value (cost \$251,470)	\$	329,132
Receivable for investment securities sold		1,055
Foreign currency (cost \$874)		876
Dividends receivable		730
Unrealized gain on forward currency exchange contracts		33
Receivable for shares sold		5
Other assets		383
Total assets		<u>332,214</u>

**Liabilities**

Obligation to return securities lending collateral		3,613
Payable for investment securities purchased		689
Investment management and administrative fees payable		339
Payable for shares redeemed		98
Options written (premiums \$20)		32
Total liabilities		<u>4,771</u>

**NET ASSETS****\$ 327,443****Net Assets Consist of:**

Undistributed net investment income	\$	3,876
Accumulated undistributed net realized gain		15,700
Net unrealized gain		77,663
Paid-in capital applicable to 19,316,295 shares of \$0.0001 par value capital stock outstanding; 1,000,000,000 shares of the Corporation authorized		<u>230,204</u>

**NET ASSETS****\$ 327,443****NET ASSET VALUE PER SHARE****\$ 16.95**

The accompanying notes are an integral part of these financial statements.

**STATEMENT OF OPERATIONS**

(\$000s)

6 Months Ended  
6/30/18**Investment Income (Loss)**

## Income

Dividend (net of foreign taxes of \$487)	\$ 5,710
Securities lending	34
Total income	5,744
Investment management and administrative expense	1,868
Net investment income	3,876

**Realized and Unrealized Gain / Loss**

## Net realized gain (loss)

Securities	15,385
Options written	42
Forward currency exchange contracts	(100)
Foreign currency transactions	(65)
Net realized gain	15,262

## Change in net unrealized gain / loss

Securities	(26,303)
Options written	(12)
Forward currency exchange contracts	101
Other assets and liabilities denominated in foreign currencies	(17)
Change in net unrealized gain / loss	(26,231)

## Net realized and unrealized gain / loss

(10,969)

**DECREASE IN NET ASSETS FROM OPERATIONS****\$ (7,093)**

The accompanying notes are an integral part of these financial statements.



**STATEMENT OF CHANGES IN NET ASSETS**

(\$000s)

	6 Months Ended 6/30/18	Year Ended 12/31/17
<b>Increase (Decrease) in Net Assets</b>		
Operations		
Net investment income	\$ 3,876	\$ 3,712
Net realized gain	15,262	19,055
Change in net unrealized gain / loss	(26,231)	62,411
Increase (decrease) in net assets from operations	(7,093)	85,178
Distributions to shareholders		
Net investment income	-	(3,963)
Net realized gain	-	(14,600)
Decrease in net assets from distributions	-	(18,563)
Capital share transactions*		
Shares sold	11,860	20,697
Distributions reinvested	-	18,563
Shares redeemed	(60,083)	(33,737)
Increase (decrease) in net assets from capital share transactions	(48,223)	5,523
<b>Net Assets</b>		
Increase (decrease) during period	(55,316)	72,138
Beginning of period	382,759	310,621
<b>End of period</b>	<b>\$ 327,443</b>	<b>\$ 382,759</b>
Undistributed net investment income	3,876	-
*Share information		
Shares sold	678	1,234
Distributions reinvested	-	1,081
Shares redeemed	(3,423)	(2,025)
Increase (decrease) in shares outstanding	(2,745)	290

The accompanying notes are an integral part of these financial statements.

**NOTES TO FINANCIAL STATEMENTS**

T. Rowe Price International Series, Inc. (the corporation) is registered under the Investment Company Act of 1940 (the 1940 Act). The International Stock Portfolio (the fund) is a diversified, open-end management investment company established by the corporation. The fund seeks long-term growth of capital through investments primarily in the common stocks of established, non-U.S. companies. Shares of the fund are currently offered only through certain insurance companies as an investment medium for both variable annuity contracts and variable life insurance policies.

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Preparation** The fund is an investment company and follows accounting and reporting guidance in the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* Topic 946 (ASC 946). The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), including, but not limited to, ASC 946. GAAP requires the use of estimates made by management. Management believes that estimates and valuations are appropriate; however, actual results may differ from those estimates, and the valuations reflected in the accompanying financial statements may differ from the value ultimately realized upon sale or maturity.

**Investment Transactions, Investment Income, and Distributions** Investment transactions are accounted for on the trade date basis. Income and expenses are recorded on the accrual basis. Realized gains and losses are reported on the identified cost basis. Dividends received from mutual fund investments are reflected as dividend income; capital gain distributions are reflected as realized gain/loss. Dividend income and capital gain distributions are recorded on the ex-dividend date. Income tax-related interest and penalties, if incurred, are recorded as income tax expense. Income distributions are declared and paid annually. Distributions to shareholders are recorded on the ex-dividend date. A capital gain distribution may also be declared and paid by the fund annually.

**Currency Translation** Assets, including investments, and liabilities denominated in foreign currencies are translated into U.S. dollar values each day at the prevailing exchange rate, using the mean of the bid and asked prices of such currencies against U.S. dollars as quoted by a major bank. Purchases and sales of securities, income, and expenses are translated into U.S. dollars at the prevailing exchange rate on the respective date of such transaction. The portion of the results of operations attributable to changes in foreign exchange rates on investments is not bifurcated from the portion attributable to changes in market prices. The effect of changes in foreign currency exchange rates on realized and unrealized security gains and losses is reflected as a component of security gains and losses.

**New Accounting Guidance** In March 2017, the FASB issued amended guidance to shorten the amortization period for certain callable debt securities held at a premium. The guidance is effective for fiscal years and interim periods beginning after December 15, 2018. Adoption will have no effect on the fund's net assets or results of operations.

**Indemnification** In the normal course of business, the fund may provide indemnification in connection with its officers and directors, service providers, and/or private company investments. The fund's maximum exposure under these arrangements is unknown; however, the risk of material loss is currently considered to be remote.

**NOTE 2 - VALUATION**

The fund's financial instruments are valued and its net asset value (NAV) per share is computed at the close of the New York Stock Exchange (NYSE), normally 4 p.m. ET, each day the NYSE is open for business. However, the NAV per share may be calculated at a time other than the normal close of the NYSE if trading on the NYSE is restricted, if the NYSE closes earlier, or as may be permitted by the SEC.

**Fair Value** The fund's financial instruments are reported at fair value, which GAAP defines as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The T. Rowe Price Valuation Committee (the Valuation Committee) is an internal committee that has been delegated certain responsibilities by the fund's Board of Directors (the Board) to ensure that financial instruments are appropriately priced at fair value in accordance with GAAP and the 1940 Act. Subject to oversight by the Board, the Valuation Committee develops and oversees pricing-related policies and procedures and approves all fair value determinations. Specifically, the Valuation Committee establishes procedures to value securities; determines

pricing techniques, sources, and persons eligible to effect fair value pricing actions; oversees the selection, services, and performance of pricing vendors; oversees valuation-related business continuity practices; and provides guidance on internal controls and valuation-related matters. The Valuation Committee reports to the Board and has representation from legal, portfolio management and trading, operations, risk management, and the fund's treasurer.

Various valuation techniques and inputs are used to determine the fair value of financial instruments. GAAP establishes the following fair value hierarchy that categorizes the inputs used to measure fair value:

Level 1 - quoted prices (unadjusted) in active markets for identical financial instruments that the fund can access at the reporting date

Level 2 - inputs other than Level 1 quoted prices that are observable, either directly or indirectly (including, but not limited to, quoted prices for similar financial instruments in active markets, quoted prices for identical or similar financial instruments in inactive markets, interest rates and yield curves, implied volatilities, and credit spreads)

Level 3 - unobservable inputs

Observable inputs are developed using market data, such as publicly available information about actual events or transactions, and reflect the assumptions that market participants would use to price the financial instrument. Unobservable inputs are those for which market data are not available and are developed using the best information available about the assumptions that market participants would use to price the financial instrument. GAAP requires valuation techniques to maximize the use of relevant observable inputs and minimize the use of unobservable inputs. When multiple inputs are used to derive fair value, the financial instrument is assigned to the level within the fair value hierarchy based on the lowest-level input that is significant to the fair value of the financial instrument. Input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level but rather the degree of judgment used in determining those values.

**Valuation Techniques** Equity securities listed or regularly traded on a securities exchange or in the over-the-counter (OTC) market are valued at the last quoted sale price or, for certain markets, the official closing price at the time the valuations are made. OTC Bulletin Board securities are valued at the mean of the closing bid and asked prices. A security that is listed or traded on more than one exchange is valued at the quotation on the exchange determined to be the primary market for such security. Listed securities not traded on a particular day are valued at the mean of the closing bid and asked prices for domestic securities and the last quoted sale or closing price for international securities.

For valuation purposes, the last quoted prices of non-U.S. equity securities may be adjusted to reflect the fair value of such securities at the close of the NYSE. If the fund determines that developments between the close of a foreign market and the close of the NYSE will affect the value of some or all of its portfolio securities, the fund will adjust the previous quoted prices to reflect what it believes to be the fair value of the securities as of the close of the NYSE. In deciding whether it is necessary to adjust quoted prices to reflect fair value, the fund reviews a variety of factors, including developments in foreign markets, the performance of U.S. securities markets, and the performance of instruments trading in U.S. markets that represent foreign securities and baskets of foreign securities. The fund may also fair value securities in other situations, such as when a particular foreign market is closed but the fund is open. The fund uses outside pricing services to provide it with quoted prices and information to evaluate or adjust those prices. The fund cannot predict how often it will use quoted prices and how often it will determine it necessary to adjust those prices to reflect fair value. As a means of evaluating its security valuation process, the fund routinely compares quoted prices, the next day's opening prices in the same markets, and adjusted prices.

Actively traded equity securities listed on a domestic exchange generally are categorized in Level 1 of the fair value hierarchy. Non-U.S. equity securities generally are categorized in Level 2 of the fair value hierarchy despite the availability of quoted prices because, as described above, the fund evaluates and determines whether those quoted prices reflect fair value at the close of the NYSE or require adjustment. OTC Bulletin Board securities, certain preferred securities, and equity securities traded in inactive markets generally are categorized in Level 2 of the fair value hierarchy.

Investments in mutual funds are valued at the mutual fund's closing NAV per share on the day of valuation and are categorized in Level 1 of the fair value hierarchy. Listed options, and OTC options with a listed equivalent, are valued at the mean of the closing bid and asked prices and generally are categorized in Level 2 of the fair value hierarchy. Forward currency exchange contracts are valued using the prevailing forward exchange rate and are categorized in Level 2 of the fair value hierarchy. Assets and liabilities other than financial instruments, including short-term receivables and payables, are carried at cost, or estimated realizable value, if less, which approximates fair value.

Thinly traded financial instruments and those for which the above valuation procedures are inappropriate or are deemed not to reflect fair value are stated at fair value as determined in good faith by the Valuation Committee. The objective of any fair value pricing determination is to arrive at a price that could reasonably be expected from a current sale. Financial instruments fair valued by the Valuation Committee are primarily private placements, restricted securities, warrants, rights, and other securities that are not publicly traded.

Subject to oversight by the Board, the Valuation Committee regularly makes good faith judgments to establish and adjust the fair valuations of certain securities as events occur and circumstances warrant. For instance, in determining the fair value of an equity investment with limited market activity, such as a private placement or a thinly traded public company stock, the Valuation Committee considers a variety of factors, which may include, but are not limited to, the issuer's business prospects, its financial standing and performance, recent investment transactions in the issuer, new rounds of financing, negotiated transactions of significant size between other investors in the company, relevant market valuations of peer companies, strategic events affecting the company, market liquidity for the issuer, and general economic conditions and events. In consultation with the investment and pricing teams, the Valuation Committee will determine an appropriate valuation technique based on available information, which may include both observable and unobservable inputs. The Valuation Committee typically will afford greatest weight to actual prices in arm's length transactions, to the extent they represent orderly transactions between market participants, transaction information can be reliably obtained, and prices are deemed representative of fair value. However, the Valuation Committee may also consider other valuation methods such as market-based valuation multiples; a discount or premium from market value of a similar, freely traded security of the same issuer; or some combination. Fair value determinations are reviewed on a regular basis and updated as information becomes available, including actual purchase and sale transactions of the issue. Because any fair value determination involves a significant amount of judgment, there is a degree of subjectivity inherent in such pricing decisions, and fair value prices determined by the Valuation Committee could differ from those of other market participants. Depending on the relative significance of unobservable inputs, including the valuation technique(s) used, fair valued securities may be categorized in Level 2 or 3 of the fair value hierarchy.

**Valuation Inputs** The following table summarizes the fund's financial instruments, based on the inputs used to determine their fair values on June 30, 2018 (for further detail by category, please refer to the accompanying Portfolio of Investments):

(\$000s)	Level 1	Level 2	Level 3	Total Value
<b>Assets</b>				
Common Stocks	\$ 47,266	\$ 273,883	\$ -	\$ 321,149
Convertible Preferred Stocks	-	-	605	605
Short-Term Investments	3,765	-	-	3,765
Securities Lending Collateral	3,613	-	-	3,613
Total Securities	54,644	273,883	605	329,132
Forward Currency				
Exchange Contracts	-	33	-	33
Total	\$ 54,644	\$ 273,916	\$ 605	\$ 329,165
<b>Liabilities</b>				
Options Written	\$ -	\$ 32	\$ -	\$ 32
Total	\$ -	\$ 32	\$ -	\$ 32

There were no material transfers between Levels 1 and 2 during the six months ended June 30, 2018.

Following is a reconciliation of the fund's Level 3 holdings for the six months ended June 30, 2018. Gain (loss) reflects both realized and change in unrealized gain/loss on Level 3 holdings during the period, if any, and is included on the accompanying Statement of Operations. The change in unrealized gain/loss on Level 3 instruments held at June 30, 2018, totaled \$(33,000) for the six months ended June 30, 2018.

(\$000s)	Beginning Balance 1/1/18	Gain (Loss) During Period	Ending Balance 6/30/18
Investment in Securities			
Convertible Preferred Stocks	\$ 638	\$ (33)	\$ 605

### NOTE 3 - DERIVATIVE INSTRUMENTS

During the six months ended June 30, 2018, the fund invested in derivative instruments. As defined by GAAP, a derivative is a financial instrument whose value is derived from an underlying security price, foreign exchange rate, interest rate, index of prices or rates, or other variable; it requires little or no initial investment and permits or requires net settlement. The fund invests in derivatives only if the expected risks and rewards are consistent with its investment objectives, policies, and overall risk profile, as described in its prospectus and Statement of Additional Information. The fund may use derivatives for a variety of purposes, such as seeking to hedge against declines in principal value, increase yield, invest in an asset with greater efficiency and at a lower cost than is possible through direct investment, or to adjust credit exposure. The risks associated with the use of derivatives are different from, and potentially much greater than, the risks associated with investing directly in the instruments on which the derivatives are based. The fund at all times maintains sufficient cash reserves, liquid assets, or other SEC-permitted asset types to cover its settlement obligations under open derivative contracts.

The fund values its derivatives at fair value and recognizes changes in fair value currently in its results of operations. Accordingly, the fund does not follow hedge accounting, even for derivatives employed as economic hedges. Generally, the fund accounts for its derivatives on a gross basis. It does not offset the fair value of derivative liabilities against the fair value of derivative assets on its financial statements, nor does it offset the fair value of derivative instruments against the right to reclaim or obligation to return collateral.

The following table summarizes the fair value of the fund's derivative instruments held as of June 30, 2018, and the related location on the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

(\$000s)	Location on Statement of Assets and Liabilities	Fair Value
<b>Assets</b>		
Foreign exchange derivatives	Forwards	\$ 33
<b>Liabilities</b>		
Equity derivatives	Options Written	\$ 32

Additionally, the amount of gains and losses on derivative instruments recognized in fund earnings during the six months ended June 30, 2018, and the related location on the accompanying Statement of Operations is summarized in the following table by primary underlying risk exposure:

(\$000s)	Location of Gain (Loss) on Statement of Operations		
	Options Written	Forward Currency Exchange Contracts	Total
<b>Realized Gain (Loss)</b>			
Equity derivatives	\$ 42	\$ -	\$ 42
Foreign exchange derivatives	-	(100)	(100)
Total	\$ 42	\$ (100)	\$ (58)
<b>Change in Unrealized Gain / Loss</b>			
Equity derivatives	\$ (12)	\$ -	\$ (12)
Foreign exchange derivatives	-	101	101
Total	\$ (12)	\$ 101	\$ 89

**Counterparty Risk and Collateral** The fund invests in derivatives in various markets, which expose it to differing levels of counterparty risk. Counterparty risk on exchange-traded and centrally cleared derivative contracts, such as futures, exchange-traded options, and centrally cleared swaps, is minimal because the clearinghouse provides protection against counterparty defaults.

Derivatives, such as bilateral swaps, forward currency exchange contracts, and OTC options, that are transacted and settle directly with a counterparty (bilateral derivatives) expose the fund to greater counterparty risk. To mitigate this risk, the fund has entered into master netting arrangements (MNAs) with certain counterparties that permit net settlement under specified conditions and, for certain counterparties, also require the exchange of collateral to cover mark-to-market exposure. MNAs may be in the form of International Swaps and Derivatives Association master agreements (ISDAs) or foreign exchange letter agreements (FX letters).

MNAs provide the ability to offset amounts the fund owes a counterparty against amounts the counterparty owes the fund (net settlement). Both ISDAs and FX letters generally allow termination of transactions and net settlement upon the occurrence of contractually specified events, such as failure to pay or bankruptcy. In addition, ISDAs specify other events, the occurrence of which would allow one of the parties to terminate. For example, a downgrade in credit rating of a counterparty would allow the fund to terminate, while a decline in the fund's net assets of more than a specified percentage would allow the counterparty to terminate. Upon termination, all transactions with that counterparty would be liquidated and a net termination amount settled. ISDAs include collateral agreements whereas FX letters do not. Collateral requirements are determined daily based on the net aggregate unrealized gain or loss on all bilateral derivatives with a counterparty, subject to minimum transfer amounts that typically range from \$100,000 to \$250,000. Any additional collateral required due to changes in security values is typically transferred the same business day.

Collateral may be in the form of cash or debt securities issued by the U.S. government or related agencies. Cash posted by the fund is reflected as cash deposits in the accompanying financial statements and generally is restricted from withdrawal by the fund; securities posted by the fund are so noted in the accompanying Portfolio of Investments; both remain in the fund's assets. Collateral pledged by counterparties is not included in the fund's assets because the fund does not obtain effective control over those assets. For bilateral derivatives, collateral posted or received by the fund is held in a segregated account at the fund's custodian. While typically not sold in the same manner as equity or fixed income securities, exchange-traded or centrally cleared derivatives may be closed out only on the exchange or clearinghouse where the contracts were traded, and OTC and bilateral derivatives may be unwound with counterparties or transactions assigned to other counterparties to allow the fund to exit the transaction. This ability is subject to the liquidity of underlying positions. As of June 30, 2018, no collateral was pledged by either the fund or counterparties for bilateral derivatives.

**Forward Currency Exchange Contracts** The fund is subject to foreign currency exchange rate risk in the normal course of pursuing its investment objectives. It uses forward currency exchange contracts (forwards) primarily to protect its non-U.S. dollar-denominated securities from adverse currency movements relative to the U.S. dollar. A forward involves an obligation to purchase or sell a fixed amount of a specific currency on a future date at a price set at the time of the contract. Although certain forwards may be settled by exchanging only the net gain or loss on the contract, most forwards are settled with the exchange of the underlying currencies in accordance with the specified terms. Forwards are valued at the unrealized gain or loss on the contract, which reflects the net amount the fund either is entitled to receive or obligated to deliver, as measured by the difference between the forward exchange rates at the date of entry into the contract and the forward rates at the reporting date. Appreciated forwards are reflected as assets and depreciated forwards are reflected as liabilities on the accompanying Statement of Assets and Liabilities. Risks related to the use of forwards include the possible failure of counterparties to meet the terms of the agreements; that anticipated currency movements will not occur, thereby reducing the fund's total return; and the potential for losses in excess of the fund's initial investment. During the six months ended June 30, 2018, the volume of the fund's activity in forwards, based on underlying notional amounts, was approximately 1% of net assets.

**Options** The fund is subject to equity price risk in the normal course of pursuing its investment objectives and uses options to help manage such risk. The fund may use options to manage exposure to security prices, interest rates, foreign currencies, and credit quality; as an efficient means of adjusting exposure to all or a part of a target market; to enhance income; as a cash management tool; or to adjust credit exposure. Options are included in net assets at fair value, options purchased are included in Investments in Securities, and Options written are separately reflected as a liability on the accompanying Statement of Assets and Liabilities. Premiums on unexercised, expired options are recorded as realized gains or losses; premiums on exercised options are recorded as an adjustment to the proceeds from the sale or cost of the purchase. The difference between the premium and the amount received or paid in a closing transaction is also treated as realized gain or loss. In return for a premium paid, call and put options give the holder the right, but not the obligation, to purchase or sell, respectively, a security at a specified exercise price. Risks related to the use of options include possible illiquidity of the options markets; trading restrictions imposed by an exchange or counterparty; movements in the underlying asset values and, for Options written, potential losses in excess of the fund's initial investment. During the six months ended June 30, 2018, the volume of the fund's activity in options, based on underlying notional amounts, was generally less than 1% of net assets.

#### NOTE 4 - OTHER INVESTMENT TRANSACTIONS

Consistent with its investment objective, the fund engages in the following practices to manage exposure to certain risks and/or to enhance performance. The investment objective, policies, program, and risk factors of the fund are described more fully in the fund's prospectus and Statement of Additional Information.

**Emerging Markets** The fund may invest, either directly or through investments in T. Rowe Price institutional funds, in securities of companies located in, issued by governments of, or denominated in or linked to the currencies of emerging market countries; at period-end, approximately 24% of the fund's net assets were invested in emerging markets. Emerging markets generally have economic structures that are less diverse and mature, and political systems that are less stable, than developed countries. These markets may be subject to greater political, economic, and social uncertainty and differing regulatory environments that may potentially impact the fund's ability to buy or sell certain securities or repatriate proceeds to U.S. dollars. Such securities are often subject to greater price volatility, less liquidity, and higher rates of inflation than U.S. securities.

**Restricted Securities** The fund may invest in securities that are subject to legal or contractual restrictions on resale. Prompt sale of such securities at an acceptable price may be difficult and may involve substantial delays and additional costs.

**Securities Lending** The fund may lend its securities to approved borrowers to earn additional income. Its securities lending activities are administered by a lending agent in accordance with a securities lending agreement. Security loans generally do not have stated maturity dates, and the fund may recall a security at any time. The fund receives collateral in the form of cash or U.S. government securities, valued at 102% to 105% of the value of the securities on loan. Collateral is maintained over the life of the loan in an amount not less than the value of loaned securities; any additional collateral required due to changes in security values is delivered to the fund the next business day. Cash collateral is invested in accordance with investment guidelines approved by fund management. Additionally, the lending agent indemnifies the fund against losses resulting from borrower default. Although risk is mitigated by the collateral and indemnification, the fund could experience a delay in recovering its securities and a possible loss of income or value if the borrower fails to return the securities, collateral investments decline in value, and the lending agent fails to perform. Securities lending revenue consists of earnings on invested collateral and borrowing fees, net of any rebates to the borrower, compensation to the lending agent, and other administrative costs. In accordance with GAAP, investments made with cash collateral are reflected in the accompanying financial statements, but collateral received in the form of securities is not. At June 30, 2018, the value of loaned securities was \$3,477,000, the value of cash collateral and related investments was \$3,613,000.

**Other** Purchases and sales of portfolio securities other than short-term securities aggregated \$64,736,000 and \$105,614,000, respectively, for the six months ended June 30, 2018.

## NOTE 5 - FEDERAL INCOME TAXES

No provision for federal income taxes is required since the fund intends to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code and distribute to shareholders all of its taxable income and gains. Distributions determined in accordance with federal income tax regulations may differ in amount or character from net investment income and realized gains for financial reporting purposes. Financial reporting records are adjusted for permanent book/tax differences to reflect tax character but are not adjusted for temporary differences. The amount and character of tax-basis distributions and composition of net assets are finalized at fiscal year-end; accordingly, tax-basis balances have not been determined as of the date of this report.

At June 30, 2018, the cost of investments for federal income tax purposes was \$254,562,000. Net unrealized gain aggregated \$74,552,000 at period-end, of which \$87,237,000 related to appreciated investments and \$12,685,000 related to depreciated investments.

## NOTE 6 - FOREIGN TAXES

The fund is subject to foreign income taxes imposed by certain countries in which it invests. Additionally, certain foreign currency transactions are subject to tax, and capital gains realized upon disposition of securities issued in or by certain foreign countries are subject to capital gains tax imposed by those countries. All taxes are computed in accordance with the applicable foreign tax law, and, to the extent permitted, capital losses are used to offset capital gains. Taxes attributable to income are accrued by the fund as a reduction of income. Taxes incurred on the purchase of foreign currencies are recorded as realized loss on foreign currency transactions. Current and deferred tax expense attributable to capital gains is reflected as a component of realized or change in unrealized gain/loss on securities in the accompanying financial statements. At June 30, 2018, the fund had no deferred tax liability attributable to foreign securities and \$1,470,000 of foreign capital loss carryforwards, including \$309,000 that expire in 2018, \$195,000 that expire in 2019, \$421,000 that expire in 2020, \$40,000 that expire in 2021, \$18,000 that expire in 2022, \$195,000 that expire in 2023, \$23,000 that expire in 2025 and \$269,000 that expire in 2026.



**NOTE 7 - RELATED PARTY TRANSACTIONS**

The fund is managed by T. Rowe Price Associates, Inc. (Price Associates), a wholly owned subsidiary of T. Rowe Price Group, Inc. (Price Group). Price Associates has entered into a sub-advisory agreement(s) with one or more of its wholly owned subsidiaries, to provide investment advisory services to the fund. The investment management and administrative agreement between the fund and Price Associates provides for an all-inclusive annual fee equal to 1.05% of the fund's average daily net assets. The fee is computed daily and paid monthly. The all-inclusive fee covers investment management, shareholder servicing, transfer agency, accounting, and custody services provided to the fund, as well as fund directors' fees and expenses. Interest, taxes, brokerage commissions, and other non-recurring expenses permitted by the investment management agreement are paid directly by the fund.

The fund may invest its cash reserves in certain open-end management investment companies managed by Price Associates and considered affiliates of the fund: the T. Rowe Price Government Reserve Fund or the T. Rowe Price Treasury Reserve Fund, organized as money market funds, or the T. Rowe Price Short-Term Fund, a short-term bond fund (collectively, the Price Reserve Funds). The Price Reserve Funds are offered as short-term investment options to mutual funds, trusts, and other accounts managed by Price Associates or its affiliates and are not available for direct purchase by members of the public. Cash collateral from securities lending is invested in the T. Rowe Price Short-Term Fund. The Price Reserve Funds pay no investment management fees.

The fund may participate in securities purchase and sale transactions with other funds or accounts advised by Price Associates (cross trades), in accordance with procedures adopted by the fund's Board and Securities and Exchange Commission rules, which require, among other things, that such purchase and sale cross trades be effected at the independent current market price of the security. During the six months ended June 30, 2018, the fund had no purchases or sales cross trades with other funds or accounts advised by Price Associates.

**NOTE 8 - SUBSEQUENT EVENT**

Effective July 1, 2018, the fund's all-inclusive annual fee for investment management and administrative services was reduced from 1.05% to 0.95% of average daily net assets.

### **INFORMATION ON PROXY VOTING POLICIES, PROCEDURES, AND RECORDS**

A description of the policies and procedures used by T. Rowe Price funds and portfolios to determine how to vote proxies relating to portfolio securities is available in each fund's Statement of Additional Information. You may request this document by calling 1-800-225-5132 or by accessing the SEC's website, sec.gov.

The description of our proxy voting policies and procedures is also available on our corporate website. To access it, please visit the following Web page:

<https://www3.troweprice.com/usis/corporate/en/utility/policies.html>

Scroll down to the section near the bottom of the page that says, "Proxy Voting Policies." Click on the Proxy Voting Policies link in the shaded box.

Each fund's most recent annual proxy voting record is available on our website and through the SEC's website. To access it through T. Rowe Price, visit the website location shown above, and scroll down to the section near the bottom of the page that says, "Proxy Voting Records." Click on the Proxy Voting Records link in the shaded box.

### **HOW TO OBTAIN QUARTERLY PORTFOLIO HOLDINGS**

The fund files a complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available electronically on the SEC's website (sec.gov); hard copies may be reviewed and copied at the SEC's Public Reference Room, 100 F St. N.E., Washington, DC 20549. For more information on the Public Reference Room, call 1-800-SEC-0330.

## APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT AND SUBADVISORY AGREEMENT

Each year, the fund's Board of Directors (Board) considers the continuation of the investment management agreement (Advisory Contract) between the fund and its investment advisor, T. Rowe Price Associates, Inc. (Advisor), as well as the continuation of the investment subadvisory agreement (Subadvisory Contract) that the Advisor has entered into with T. Rowe Price International Ltd (Subadvisor) on behalf of the fund. In that regard, at an in-person meeting held on March 5–6, 2018 (Meeting), the Board, including a majority of the fund's independent directors, approved the continuation of the fund's Advisory Contract and Subadvisory Contract. At the Meeting, the Board considered the factors and reached the conclusions described below relating to the selection of the Advisor and Subadvisor and the approval of the Advisory Contract and Subadvisory Contract. The independent directors were assisted in their evaluation of the Advisory Contract and Subadvisory Contract by independent legal counsel from whom they received separate legal advice and with whom they met separately.

In providing information to the Board, the Advisor was guided by a detailed set of requests for information submitted by independent legal counsel on behalf of the independent directors. In considering and approving the Advisory Contract and Subadvisory Contract, the Board considered the information it believed was relevant, including, but not limited to, the information discussed below. The Board considered not only the specific information presented in connection with the Meeting but also the knowledge gained over time through interaction with the Advisor and Subadvisor about various topics. The Board meets regularly and, at each of its meetings, covers an extensive agenda of topics and materials and considers factors that are relevant to its annual consideration of the renewal of the T. Rowe Price funds' advisory contracts, including performance and the services and support provided to the funds and their shareholders.

### Services Provided by the Advisor and Subadvisor

The Board considered the nature, quality, and extent of the services provided to the fund by the Advisor and Subadvisor. These services included, but were not limited to, directing the fund's investments in accordance with its investment program and the overall management of the fund's portfolio, as well as a variety of related activities such as financial, investment operations, and administrative services; compliance; maintaining the fund's records and registrations; and shareholder communications. The Board also reviewed the background and experience of the Advisor's and Subadvisor's senior management teams and investment personnel involved in the management of the fund, as well as the Advisor's compliance record. The Board concluded that it was satisfied with the nature, quality, and extent of the services provided by the Advisor and Subadvisor.

### Investment Performance of the Fund

The Board took into account discussions with the Advisor and reports that it receives throughout the year relating to fund performance. In connection with the Meeting, the Board reviewed the fund's net annualized total returns for the 1-, 2-, 3-, 4-, 5-, and 10-year periods as of September 30, 2017, and compared these returns with the performance of a peer group of funds with similar investment programs and a wide variety of other previously agreed-upon comparable performance measures and market data, including those supplied by Broadridge, which is an independent provider of mutual fund data.

On the basis of this evaluation and the Board's ongoing review of investment results, and factoring in the relative market conditions during certain of the performance periods, the Board concluded that the fund's performance was satisfactory.

### Costs, Benefits, Profits, and Economies of Scale

The Board reviewed detailed information regarding the revenues received by the Advisor under the Advisory Contract and other benefits that the Advisor (and its affiliates, including the Subadvisor) may have realized from its relationship with the fund, including any research received under "soft dollar" agreements and commission-sharing arrangements with broker-dealers. The Board considered that the Advisor and Subadvisor may receive some benefit from soft-dollar arrangements pursuant to which research is received from broker-dealers that execute the fund's portfolio transactions. The Board received information on the estimated costs incurred and profits realized by the Advisor from managing the T. Rowe Price funds. The Board also reviewed estimates of the profits realized from managing the fund in particular, and the Board concluded that the Advisor's profits were reasonable in light of the services provided to the fund.

The Board also considered whether the fund benefits under the fee levels set forth in the Advisory Contract from any economies of scale realized by the Advisor. Under the Advisory Contract, the fund pays the Advisor a single fee, or all-inclusive management fee, which is based on the fund's average daily net assets. The all-inclusive management fee includes investment management services and provides for the Advisor to pay all of the fund's ordinary, recurring operating expenses except for interest, taxes, portfolio transaction fees, and any nonrecurring extraordinary expenses that may arise. Under the Subadvisory Contract, the Advisor may pay the Subadvisor up to 60% of the advisory fee that the Advisor receives from the fund. The Advisor has generally implemented an all-inclusive management fee structure in situations where a fixed total expense ratio is useful for purposes of providing certainty of fees and expenses for the investors in these funds and has historically sought to set the initial all-inclusive fee rate at levels below the expense ratios of comparable funds to take into account the

**APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT AND SUBADVISORY AGREEMENT (CONTINUED)**

potential future economies of scale. Because the fund serves as an underlying option to variable annuity products, the all-inclusive fee structure is utilized to create certainty for the annuity providers' overall pricing decisions and disclosures. Assets of the fund are included in the calculation of the group fee rate, which serves as a component of the management fee for many T. Rowe Price funds and declines at certain asset levels based on the combined average net assets of most of the T. Rowe Price funds (including the fund). Although the fund does not have a group fee component to its management fee, its assets are included in the calculation because the primary investment resources utilized to manage the fund are shared with other actively managed funds. The Board concluded that, based on the profitability data it reviewed and consistent with this all-inclusive management fee structure, the advisory fee structure for the fund continued to be appropriate.

**Fees and Expenses**

The Board was provided with information regarding industry trends in management fees and expenses. Among other things, the Board reviewed data for peer groups that were compiled by Broadridge, which compared: (i) contractual management fees, total expenses, actual management fees, and nonmanagement expenses of the fund with a group of competitor funds selected by Broadridge (Expense Group) and (ii) total expenses, actual management fees, and nonmanagement expenses of the fund with a broader set of funds within the Lipper investment classification (Expense Universe). The Board considered the fund's contractual management fee rate, actual management fee rate, and total expenses (all of which generally reflect the all-inclusive management fee rate and do not deduct the operating expenses paid by the Advisor as part of the overall management fee) in comparison with the information for the Broadridge peer groups. Broadridge generally constructed the peer groups by seeking the most comparable funds based on similar investment classifications and objectives, expense structure, asset size, and operating components and attributes and ranked funds into quintiles, with the first quintile representing the funds with the lowest relative expenses and the fifth quintile representing the funds with the highest relative expenses. The information provided to the Board indicated that the fund's contractual management fee ranked in the fifth quintile (Expense Group), the fund's actual management fee rate ranked in the fifth quintile (Expense Group and Expense Universe), and the fund's total expenses ranked in the fifth quintile (Expense Group and Expense Universe).

The Board requested additional information from management with respect to the fund's relative management fees and total expenses ranking in the fifth quintile, and reviewed and considered the information provided relating to the fund, other funds in the peer groups, and other factors that the Board determined to be relevant.

The Board also reviewed the fee schedules for institutional accounts and private accounts with similar mandates that are advised or subadvised by the Advisor and its affiliates. Management provided the Board with information about the Advisor's responsibilities and services provided to subadvisory and other institutional account clients, including information about how the requirements and economics of the institutional business are fundamentally different from those of the mutual fund business. The Board considered information showing that the Advisor's mutual fund business is generally more complex from a business and compliance perspective than its institutional account business and considered various relevant factors, such as the broader scope of operations and oversight, more extensive shareholder communication infrastructure, greater asset flows, heightened business risks, and differences in applicable laws and regulations associated with the Advisor's proprietary mutual fund business. In assessing the reasonableness of the fund's management fee rate, the Board considered the differences in the nature of the services required for the Advisor to manage its mutual fund business versus managing a discrete pool of assets as a subadvisor to another institution's mutual fund or for an institutional account and that the Advisor generally performs significant additional services and assumes greater risk in managing the fund and other T. Rowe Price funds than it does for institutional account clients.

On the basis of the information provided and the factors considered, the Board concluded that the fees paid by the fund under the Advisory Contract are reasonable.

**Approval of the Advisory Contract and Subadvisory Contract**

As noted, the Board approved the continuation of the Advisory Contract and Subadvisory Contract. No single factor was considered in isolation or to be determinative to the decision. Rather, the Board concluded, in light of a weighting and balancing of all factors considered, that it was in the best interests of the fund and its shareholders for the Board to approve the continuation of the Advisory Contract and Subadvisory Contract (including the fees to be charged for services thereunder).

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# T.RowePrice®

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*Call 1-800-225-5132 to request a prospectus or summary prospectus; each includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing.*



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