



Invesco V.I. High Yield Fund

Annual Report to Shareholders ■ December 31, 2011



The Fund provides a complete list of its holdings four times in each fiscal year, at the quarter-ends. For the second and fourth quarters, the lists appear in the Fund's semiannual and annual reports to shareholders. For the first and third quarters, the Fund files the lists with the Securities and Exchange Commission (SEC) on Form N-Q. The Fund's Form N-Q filings are available on the SEC website, sec.gov. Copies of the Fund's Forms N-Q may be reviewed and copied at the SEC Public Reference Room in Washington, D.C. You can obtain information on the operation of the Public Reference Room, including information about duplicating fee charges, by calling 202 551 8090 or 800 732 0330, or by electronic request at the following email address: publicinfo@sec.gov. The SEC file numbers for the Fund are 811-07452 and 033-57340. The Fund's most recent portfolio holdings, as filed on Form N-Q, have also been made available to insurance companies issuing variable annuity contracts and variable life insurance policies ("variable products") that invest in the Fund.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge, upon request, from our Client Services department at 800 959 4246 or at invesco.com/proxyguidelines. The information is also available on the SEC website, sec.gov.

Information regarding how the Fund voted proxies related to its portfolio securities during the 12 months ended June 30, 2011, is available at invesco.com/proxysearch. The information is also available on the SEC website, sec.gov.

Invesco Advisers, Inc. is an investment adviser; it provides investment advisory services to individual and institutional clients and does not sell securities. Invesco Distributors, Inc. is the U.S. distributor for Invesco Ltd.'s retail mutual funds, exchange-traded funds and institutional money market funds. Both are wholly owned, indirect subsidiaries of Invesco Ltd.

This report must be accompanied or preceded by a currently effective Fund prospectus and variable product prospectus, which contain more complete information, including sales charges and expenses. Investors should read each carefully before investing.

Invesco Distributors, Inc.

VIHYI-AR-1

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

Management's Discussion of Fund Performance

Performance summary

For the year ended December 31, 2011, Invesco V.I. High Yield Fund underperformed the Barclays Capital U.S. Corporate High Yield 2% Issuer Cap Index, due mainly to the Fund's issuer selection and our underweighting of higher quality assets in the market.

Your Fund's long-term performance appears later in this report.

Fund vs. Indexes

Total returns, 12/31/10 to 12/31/11, excluding variable product issuer charges.

If variable product issuer charges were included, returns would be lower.

Series I Shares*	0.96%
Series II Shares*	0.61
Barclays Capital U.S. Aggregate Index▼ (Broad Market Index)	7.84
Barclays Capital U.S. Corporate High Yield 2% Issuer Cap Index▼ (Style-Specific Index)	4.96
Lipper VUF High Current Yield Bond Funds Category Average▼ (Peer Group)	3.35

Source(s): ▼Lipper Inc.

*Performance includes litigation proceeds. Had these proceeds not been received, total return would have been lower.

How we invest

We invest primarily in debt securities that are determined to be below investment grade quality. These bonds, commonly known as "junk bonds," are typically corporate bonds of U.S.-based companies, many of which are moderately sized firms. We principally invest in junk bonds although we tend to underweight the lowest-quality bonds in the asset class.

We may invest in convertible bonds, preferred stock, derivatives and bank loans, but do not expect these instruments to be a substantial part of our portfolio. We may invest up to 25% of total assets in foreign securities. The Fund also may invest up to 15% of its total assets in securities of issuers located in developing markets.

The primary driver of our security selection is fundamental bottom-up credit analysis conducted by a team of analysts who specialize by industry.

This approach is augmented with an ongoing review of the relative value of securities and a top-down process that includes sector, economic and quantitative analysis. Changes in a security's risk/return profile or relative value and top-down factors generally determine buy and sell decisions.

Portfolio construction begins with a well-defined Fund design that emphasizes diversification and establishes the target investment vehicles for generating the desired "alpha" (the return expected from an investment) as well as the risk parameters appropriate for the current positioning in the credit cycle. Investments are evaluated for liquidity and risk versus relative value. Working closely with other investment specialists and traders, we determine the timing and amount of each alpha decision to use in the portfolio at any time, taking into account security selection skill and market opportunities.

Sell decisions are based on:

- Low equity value to debt, high subordination and negative free cash flow coupled with negative news, declining expectations or an increasing risk profile.
- Very low yields.
- Presentation of a better relative value opportunity.

Market conditions and your Fund

The high yield market depends heavily on the underlying health of the economy, principally in the U.S. and, secondarily, in Europe. Growth remained slow as deleveraging and caution constrained economic activity and job creation. The situation in Europe was generally worse than in the U.S., owing to the sovereign debt crisis, slower economic growth and the threat of renewed recession.

Financial stimulus remained robust and appeared likely to stay accommodative. While the U.S. Federal Reserve's (the Fed) second round of quantitative easing ended, the Fed committed to keeping short-term interest rates anchored near zero through mid-2013. (In January 2012, after the close of the reporting period, the Fed extended its commitment to keep short-term interest rates near zero through late 2014.) In Europe, the tightening cycle appeared to have ended as interest rates were cut. In this way, fixed income asset classes were broadly supported by the underlying interest rate structure.

The high yield market moved from becoming increasingly aggressive early in the reporting period to increasingly defensive as the reporting period ended. The change was due to slower growth expectations, including a U.S. growth scare over the summer and fears of

Portfolio Composition

By credit quality

A	0.6%
BBB	5.0
BB	30.4
B	39.0
CCC	7.4
CC	0.4
C	0.1
Non-Rated	5.2
Cash	11.9

Top 10 Fixed Income Issuers*

1. International Lease Financing Corp.	1.8%
2. Ally Financial Inc.	1.4
3. CIT Group Inc.	1.2
4. Tenet Healthcare Corp.	1.0
5. Building Materials Corp. of America	1.0
6. Hertz Corp. (The)	0.9
7. Intelsat Jackson Holdings S.A.	0.9
8. Cricket Communications, Inc.	0.9
9. Century Aluminum Co.	0.8
10. Delta Air Lines, Inc.	0.8

Total Net Assets	\$111.9 million
Total Number of Holdings*	380

The Fund's holdings are subject to change, and there is no assurance that the Fund will continue to hold any particular security.

*Excluding money market fund holdings.

Source: Standard & Poor's. A credit rating is an assessment provided by a nationally recognized statistical rating organization (NRSRO) of the creditworthiness of an issuer with respect to debt obligations, including specific securities, money

market instruments or other debts. Ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest); ratings are subject to change without notice. "Non-Rated" indicates the debtor was not rated, and should not be interpreted

as indicating low quality. For more information on Standard & Poor's rating methodology, please visit standardandpoors.com and select "Understanding Ratings" under "Ratings Resources" on the homepage.

a deepening financial crisis centered in the eurozone. Volatility and correlations were high as the high yield market experienced what is generally called the "risk on/risk off" market. Lower capital utilization by broker dealers, who were limiting their own risk-taking, further exacerbated market movements.

Defaults in the high yield bond market remained muted during 2011. The annualized par-weighted default rate for the year was only 2.03% according to Standard & Poor's. Very low defaults are to be expected after periods of high defaults and recession. We expect a gradual increase in defaults as we exit the immediate post-downturn period, although without renewed recession, we expect defaults will likely remain below average.

The broad U.S. high yield bond market, as measured by the Barclays Capital U.S. Corporate High Yield 2% Issuer Cap Index, generated a positive total return for the year ended December 31, 2011. In August and September 2011, debt concerns in Europe and the downgrade of U.S. debt by Standard & Poor's caused investors to scale back their risk profiles. The risk-on trade returned at the end of the reporting period, as we had potentially good news from Europe and economic data out of the U.S. improved.

In this environment, the Fund generated positive returns for the 12-month period but underperformed its style-specific index, the Barclays Capital U.S. High Yield 2% Issuer Cap Index. While valuations in the market have improved, we did not increase our weights to distressed and very high risk bonds.

The main detractor from Fund performance was issuer selection in construction materials bonds. The Fund's issuer selection in the distiller and vintners industry also hurt, as some of our off-index issuers were oversold throughout much of the reporting period. In addition, the Fund's issuer selection in the automotive manufacturing industry detracted from performance; our holding in one of the big U.S. manufacturers sold off during the year. Our position in an integrated telecommunications services company also detracted from performance. This was due mainly to our exposure to a Greek wireless company which sold off. Another line item that detracted was an off-index position in the oil and gas storage and transportation industry.

Investments that contributed to the Fund's performance varied. The Fund's primary contributors to performance were issuer selection in the oil and gas

exploration and production industry and issuer selection in the integrated telecommunication services industry. Avoidance of the non-captive consumer industry was beneficial as that was one of the worst performers during the reporting period. Finally, issuer selection in the technology industry also proved beneficial to Fund performance.

At the close of the reporting period, we remained generally positive in our assessment of high yield securities. However, while the economy appeared to be strengthening in the U.S., substantial obstacles remained, including resolution of U.S. deficits (the pending fiscal adjustment) and the European sovereign debt situation and its potential bank solvency and credit implications.

Thank you for investing in Invesco V.I. High Yield Fund and for sharing our long-term investment horizon.

The views and opinions expressed in management's discussion of Fund performance are those of Invesco Advisers, Inc. These views and opinions are subject to change at any time based on factors such as market and economic conditions. These views and opinions may not be relied upon as investment advice or recommendations, or as an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but Invesco Advisers, Inc. makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

See important Fund and, if applicable, index disclosures later in this report.



Peter Ehret

Chartered Financial Analyst, portfolio manager, is lead manager of Invesco V.I. High Yield Fund. He joined Invesco in

2001. Mr. Ehret graduated cum laude with a B.S. in economics from the University of Minnesota. He also earned an M.S. in real estate appraisal and investment analysis from the University of Wisconsin-Madison.



Darren Hughes

Chartered Financial Analyst, portfolio manager, is manager of Invesco V.I. High Yield Fund. He joined Invesco in

1992. Mr. Hughes earned a B.B.A. in finance and economics from Baylor University.



Scott Roberts

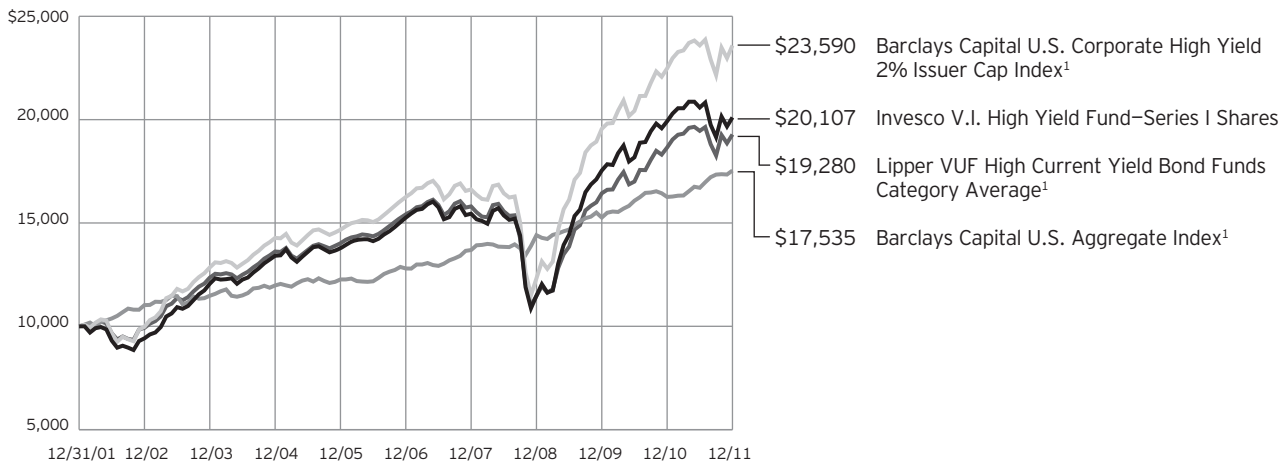
Chartered Financial Analyst, portfolio manager, is manager of Invesco V.I. High Yield Fund. He joined Invesco in

2000. Mr. Roberts earned a B.B.A. in finance from the University of Houston.

Your Fund's Long-Term Performance

Results of a \$10,000 Investment – Oldest Share Class(es)

Fund and index data from 12/31/01*



1 Source: Lipper Inc.

*During the reporting period, Invesco changed its policy regarding growth of \$10,000 charts. For funds older than 10 years, we previously showed performance since inception. Going forward, we will show performance for the most recent 10 years, since this more accurately reflects the experience of the typical shareholder. As a result, charts now may include benchmarks that did not appear previously, because the funds' inception pre-dated the benchmarks' inception. Also, all charts will now be presented using a linear format.

Past performance cannot guarantee comparable future results.

Average Annual Total Returns	
As of 12/31/11	
Series I Shares	
Inception (5/1/98)	3.40%
10 Years	7.23
5 Years	5.68
1 Year	0.96
Series II Shares	
10 Years	6.99%
5 Years	5.41
1 Year	0.61

Performance includes litigation proceeds. Had these proceeds not been received, total return would have been lower.

Series II shares incepted on March 26, 2002. Performance shown prior to that date is that of Series I shares, restated to reflect the higher 12b-1 fees applicable to Series II. Series I performance reflects any applicable fee waivers or expense reimbursements. The performance of the Fund's Series I and Series II share classes will differ primarily due to different class expenses.

The performance data quoted represent past performance and cannot guarantee comparable future results; current performance may be lower or

higher. Please contact your variable product issuer or financial adviser for the most recent month-end variable product performance. Performance figures reflect Fund expenses, reinvested distributions and changes in net asset value. Investment return and principal value will fluctuate so that you may have a gain or loss when you sell shares.

The net annual Fund operating expense ratio set forth in the most recent Fund prospectus as of the date of this report for Series I and Series II shares was 0.80% and 1.05%, respectively.¹ The total annual Fund operating expense ratio set forth in the most recent Fund prospectus as of the date of this report for Series I and Series II shares was 1.09% and 1.34%, respectively. The expense ratios presented above may vary from the expense ratios presented in other sections of this report that are based on expenses incurred during the period covered by this report.

Invesco V.I. High Yield Fund, a series portfolio of AIM Variable Insurance Funds (Invesco Variable Insurance Funds), is currently offered through

insurance companies issuing variable products. You cannot purchase shares of the Fund directly. Performance figures given represent the Fund and are not intended to reflect actual variable product values. They do not reflect sales charges, expenses and fees assessed in connection with a variable product. Sales charges, expenses and fees, which are determined by the variable product issuers, will vary and will lower the total return.

The most recent month-end performance data at the Fund level, excluding variable product charges, is available at 800 451 4246.

As mentioned above, for the most recent month-end performance including variable product charges, please contact your variable product issuer or financial adviser.

Had the adviser not waived fees and/or expenses, performance would have been lower.

1 Total annual Fund operating expenses after any contractual fee waivers and/or expense reimbursements by the adviser in effect through at least June 30, 2013. See current prospectus for more information.

Invesco V.I. High Yield Fund's investment objective is total return, comprised of current income and capital appreciation.

- Unless otherwise stated, information presented in this report is as of December 31, 2011, and is based on total net assets.
- Unless otherwise noted, all data provided by Invesco.
- To access your Fund's reports/prospectus, visit invesco.com/fundreports.

Principal risks of investing in the Fund

Credit risk. The issuer of instruments in which the Fund invests may be unable to meet interest and/or principal payments, thereby causing its instruments to decrease in value and lowering the issuer's credit rating.

Developing markets securities risk. Securities issued by foreign companies and governments located in developing countries may be affected more negatively by inflation, devaluation of their currencies, higher transaction costs, delays in settlement, adverse political developments, the introduction of capital controls, withholding taxes, nationalization of private assets, expropriation, social unrest, war or lack of timely information than those in developed countries.

Foreign securities risk. The Fund's foreign investments may be affected by changes in a foreign country's exchange rates; political and social instability; changes in economic or taxation policies; difficulties when enforcing obligations; decreased liquidity; and increased volatility. Foreign companies may be subject to less regulation resulting in less publicly available information about the companies.

High yield bond (junk bond) risk. Junk bonds involve a greater risk of default or price changes due to changes in the credit quality of the issuer. The values of junk bonds fluctuate more than those of high-quality bonds in response to company, political, regulatory or economic developments. Values of junk bonds can decline significantly over short periods of time.

Interest rate risk. Interest rate risk refers to the risk that bond prices generally fall as interest rates rise; conversely, bond prices generally rise as interest rates fall. Specific bonds differ in their sensitivity to changes in interest rates depending on their individual characteristics, including duration.

Leverage risk. Leverage exists when the Fund purchases or sells an instrument or enters into a transaction without investing cash in an amount equal to the full economic exposure of the instrument or transaction and the Fund could lose more than it invested. Leverage created from borrowing or certain types of transactions or instruments, including derivatives, may impair the Fund's liquidity, cause it to liquidate positions at an unfavorable time, increase volatility or otherwise not achieve its intended objective.

Management risk. The investment techniques and risk analysis used by the Fund's portfolio managers may not produce the desired results.

Market risk. The prices of and the income generated by the Fund's securities may decline in response to, among other things, investor sentiment; general economic and market conditions; regional or global instability; and currency and interest rate fluctuations.

Reinvestment risk. Reinvestment risk is the risk that a bond's cash flows (coupon income and principal repayment) will be reinvested at an interest rate below that on the original bond.

About indexes used in this report

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

The **Barclays Capital U.S. Corporate High Yield 2% Issuer Cap Index** is an unmanaged index that covers U.S. corporate, fixed-rate, non-investment grade debt with at least one year to maturity and at least \$150 million in par outstanding. Index weights for each issuer are capped at 2%.

The **Lipper VUF High Current Yield Bond Funds Category Average** represents an average of all of the variable insurance underlying funds in the Lipper High Current Yield Bond Funds category.

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

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

Other information

The Chartered Financial Analyst® (CFA®) designation is globally recognized and attests to a charterholder's success in a rigorous and comprehensive study program in the field of investment management and research analysis.

Industry classifications used in this report are generally according to the Global Industry Classification Standard, which was developed by and is the exclusive property and a service mark of MSCI Inc. and Standard & Poor's.

The returns shown in management's discussion of Fund performance are based on net asset values calculated for shareholder transactions. Generally accepted accounting principles require adjustments to be made to the net assets of the Fund at period end for financial reporting purposes, and as such, the net asset values for shareholder transactions and the returns based on those net asset values may differ from the net asset values and returns reported in the Financial Highlights. Additionally, the returns and net asset values shown throughout this report are at the Fund level only and do not include variable product issuer charges. If such charges were included, the total returns would be lower.

Schedule of Investments^(a)

December 31, 2011

	Principal Amount	Value
U.S. Dollar Denominated Bonds and Notes—74.44%		
Aerospace & Defense—0.81%		
BE Aerospace, Inc., Sr. Unsec. Notes, 6.88%, 10/01/20	\$ 115,000	\$ 126,212
Bombardier Inc. (Canada), Sr. Unsec. Notes, 7.75%, 03/15/20 ^(b)	230,000	251,850
Huntington Ingalls Industries Inc., Sr. Unsec. Gtd. Notes, 6.88%, 03/15/18 ^(b)	165,000	162,937
7.13%, 03/15/21 ^(b)	95,000	93,813
Spirit Aerosystems Inc., Sr. Unsec. Gtd. Global Notes, 6.75%, 12/15/20	240,000	251,400
Triumph Group, Inc., Sr. Unsec. Gtd. Sub. Global Notes, 8.00%, 11/15/17	20,000	21,500
		907,712
Airlines—2.69%		
American Airlines Inc., Sr. Sec. Gtd. Notes, 7.50%, 03/15/16 ^{(b)(c)}	1,015,000	730,800
American Airlines Pass Through Trust, Series 2011-1, Class B, Sec. Gtd. Pass Through Cdfs., 7.00%, 01/31/18 ^(b)	79,472	70,730
Continental Airlines Inc., Series 2000-2, Class B, Sec. Sub. Pass Through Cdfs., 8.31%, 04/02/18	57,504	56,354
Series 2007-1, Class C, Sec. Sub. Global Pass Through Cdfs., 7.34%, 04/19/14	300,872	297,863
Series 2009-1, Sec. Pass Through Cdfs., 9.00%, 07/08/16	54,724	60,333
Series 2009-2, Class B, Sec. Global Pass Through Cdfs., 9.25%, 05/10/17	146,689	151,411
Delta Air Lines, Inc., Sec. Notes, 12.25%, 03/15/15 ^(b)	85,000	90,100
Sr. Sec. Notes, 9.50%, 09/15/14 ^(b)	222,000	229,215
Series 2002-1, Class C, Sec. Pass Through Cdfs., 7.78%, 01/02/12	9,495	9,495
Series 2007-1, Class C, Sec. Global Pass Through Cdfs., 8.95%, 08/10/14	385,852	378,135
Series 2010-1, Class B, Sec. Pass Through Cdfs., 6.38%, 01/02/16 ^(b)	85,000	79,050
Series 2010-2, Class B, Sec. Pass Through Cdfs., 6.75%, 11/23/15 ^(b)	125,000	116,250

	Principal Amount	Value
Airlines—(continued)		
UAL Pass Through Trust, Series 2007-1, Class A, Sec. Gtd. Global Pass Through Cdfs., 6.64%, 07/02/22	\$ 40,036	\$ 39,911
Series 2007-1, Class B, Sr. Sec. Gtd. Global Pass Through Cdfs., 7.34%, 07/02/19	116,944	110,804
Series 2009-1, Sr. Sec. Gtd. Global Pass Through Cdfs., 10.40%, 11/01/16	142,053	158,035
Series 2009-2, Class B, Sec. Gtd. Pass Through Cdfs., 12.00%, 01/15/16 ^(b)	213,468	223,074
US Airways Pass Through Trust, Series 1998-1, Class C, Sec. Pass Through Cdfs., 6.82%, 01/30/14	234,563	209,934
		3,011,494
Alternative Carriers—1.17%		
Cogent Communications Group, Inc., Sr. Sec. Gtd. Notes, 8.38%, 02/15/18 ^(b)	395,000	407,837
Level 3 Communications Inc., Sr. Unsec. Global Notes, 11.88%, 02/01/19	245,000	261,537
Level 3 Financing Inc., Sr. Unsec. Gtd. Global Notes, 9.25%, 11/01/14	59,000	60,328
9.38%, 04/01/19	335,000	350,075
Sr. Unsec. Gtd. Notes, 8.13%, 07/01/19 ^(b)	230,000	227,700
		1,307,477
Aluminum—0.85%		
Century Aluminum Co., Sr. Sec. Gtd. Notes, 8.00%, 05/15/14	950,630	946,471
Apparel Retail—1.07%		
Express LLC/Express Finance Corp., Sr. Unsec. Gtd. Global Notes, 8.75%, 03/01/18	390,000	426,075
Gap, Inc. (The), Sr. Unsec. Notes, 5.95%, 04/12/21	310,000	296,437
J. Crew Group, Inc., Sr. Unsec. Gtd. Global Notes, 8.13%, 03/01/19	305,000	292,037
Limited Brands Inc., Sr. Unsec. Gtd. Global Notes, 8.50%, 06/15/19	100,000	118,000
Sr. Unsec. Gtd. Notes, 6.63%, 04/01/21	40,000	42,600
7.00%, 05/01/20	25,000	27,188
		1,202,337
Apparel, Accessories & Luxury Goods—1.93%		
Hanesbrands Inc., Sr. Unsec. Gtd. Global Notes, 6.38%, 12/15/20	575,000	587,937
Jones Group Inc. (The), Sr. Unsec. Notes, 6.88%, 03/15/19	625,000	565,625

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

	Principal Amount	Value
Apparel, Accessories & Luxury Goods—(continued)		
Levi Strauss & Co., Sr. Unsec. Global Notes, 7.63%, 05/15/20	\$ 525,000	\$ 539,438
Quiksilver Inc., Sr. Unsec. Gtd. Global Notes, 6.88%, 04/15/15	505,000	469,650
		2,162,650
Auto Parts & Equipment—1.29%		
Allison Transmission Inc., Sr. Unsec. Gtd Notes, 7.13%, 05/15/19 ^(b)	360,000	354,600
American Axle & Manufacturing, Inc., Sr. Unsec. Gtd. Notes, 7.75%, 11/15/19	315,000	310,275
Dana Holding Corp., Sr. Unsec. Notes, 6.75%, 02/15/21	450,000	462,375
Tenneco Inc., Sr. Unsec. Gtd. Global Notes, 6.88%, 12/15/20	190,000	196,650
7.75%, 08/15/18	110,000	116,875
		1,440,775
Automobile Manufacturers—1.15%		
Chrysler Group LLC/CG Co.-Issuer Inc., Sr. Sec. Gtd. Notes, 8.00%, 06/15/19 ^(b)	450,000	412,875
Ford Motor Co., Sr. Unsec. Global Notes, 7.45%, 07/16/31	720,000	864,000
Motors Liquidation Corp., Sr. Unsec. Global Notes, 7.20% ^{(c)(d)}	445,000	3,682
Sr. Unsec. Notes, 8.38%, 07/15/33 ^{(c)(d)}	755,000	6,268
		1,286,825
Biotechnology—0.22%		
Grifols Inc., Sr. Unsec. Gtd. Global Notes, 8.25%, 02/01/18	70,000	73,850
Savient Pharmaceuticals Inc., Sr. Unsec. Conv. Notes, 4.75%, 02/01/18	90,000	43,200
STHI Holding Corp., Sec. Gtd. Notes, 8.00%, 03/15/18 ^(b)	125,000	129,063
		246,113
Broadcasting—0.41%		
Allbritton Communications Co., Sr. Unsec. Global Notes, 8.00%, 05/15/18	130,000	130,000
Clear Channel Communications, Inc., Sr. Sec. Gtd. Global Notes, 9.00%, 03/01/21	395,000	333,775
		463,775
Building Products—3.73%		
American Standard Americas, Sr. Sec. Notes, 10.75%, 01/15/16 ^(b)	310,000	184,450
Associated Materials LLC, Sr. Sec. Gtd. Global Notes, 9.13%, 11/01/17	455,000	403,813
Building Materials Corp. of America, Sr. Sec. Gtd. Notes, 7.50%, 03/15/20 ^(b)	370,000	399,600
Sr. Unsec. Notes, 6.75%, 05/01/21 ^(b)	150,000	158,250
6.88%, 08/15/18 ^(b)	490,000	514,500

	Principal Amount	Value
Building Products—(continued)		
Gibraltar Industries Inc., Series B, Sr. Unsec. Gtd. Sub. Global Notes, 8.00%, 12/01/15	\$ 535,000	\$ 537,675
Nortek Inc., Sr. Unsec. Gtd. Notes, 8.50%, 04/15/21 ^(b)	770,000	655,462
10.00%, 12/01/18 ^(b)	140,000	133,350
Ply Gem Industries Inc., Sr. Sec. Gtd. Global Notes, 8.25%, 02/15/18	215,000	188,394
Sr. Unsec. Gtd. Sub. Global Notes, 13.13%, 07/15/14	265,000	235,850
Roofing Supply Group LLC/Roofing Supply Finance Inc., Sr. Sec. Notes, 8.63%, 12/01/17 ^(b)	472,000	482,620
USG Corp., Sr. Unsec. Gtd. Notes, 8.38%, 10/15/18 ^(b)	25,000	23,125
9.75%, 08/01/14 ^(b)	105,000	107,100
Sr. Unsec. Notes, 9.75%, 01/15/18	180,000	154,800
		4,178,989
Cable & Satellite—0.73%		
EH Holding Corp., Sr. Sec. Gtd. Notes, 6.50%, 06/15/19 ^(b)	140,000	146,650
Sr. Unsec. Gtd. Notes, 7.63%, 06/15/21 ^(b)	80,000	84,300
Kabel BW (Germany), Sr. Sec. Gtd. Notes, 7.50%, 03/15/19 ^(b)	560,000	590,800
		821,750
Casinos & Gaming—3.76%		
Ameristar Casinos Inc., Sr. Unsec. Gtd. Global Notes, 7.50%, 04/15/21	345,000	357,075
Caesars Entertainment Operating Co. Inc., Sec. Gtd. Global Notes, 12.75%, 04/15/18	265,000	212,000
Sr. Sec. Gtd. Global Notes, 11.25%, 06/01/17	171,000	182,542
Sr. Unsec. Gtd. Global Bonds, 5.63%, 06/01/15	389,000	217,840
CityCenter Holdings LLC/CityCenter Finance Corp., Sr. Sec. Gtd. Notes, 7.63%, 01/15/16 ^(b)	15,000	15,413
Sr. Sec. Gtd. PIK Notes, 10.75%, 01/15/17 ^(b)	248,890	257,601
Mandalay Resort Group, Sr. Unsec. Gtd. Sub. Notes, 7.63%, 07/15/13	200,000	199,500
MGM Resorts International, Sr. Unsec. Gtd. Conv. Notes, 4.25%, 04/15/15	95,000	90,369
Sr. Unsec. Gtd. Global Notes, 6.63%, 07/15/15	393,000	376,789
6.75%, 04/01/13	405,000	410,062
Sr. Unsec. Gtd. Notes, 5.88%, 02/27/14	10,000	9,725

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

	Principal Amount	Value
Casinos & Gaming—(continued)		
Midwest Gaming Borrower LLC/ Midwest Finance Corp., Sr. Sec. Notes, 11.63%, 04/15/16 ^(b)	\$ 45,000	\$ 49,050
Pinnacle Entertainment Inc., Sr. Unsec. Gtd. Global Notes, 8.63%, 08/01/17	145,000	154,063
Scientific Games International Inc., Sr. Unsec. Gtd. Sub. Global Notes, 9.25%, 06/15/19	195,000	207,187
Seneca Gaming Corp., Sr. Unsec. Gtd. Notes, 8.25%, 12/01/18 ^(b)	180,000	175,950
Snoqualmie Entertainment Authority, Sr. Sec. Floating Rate Notes, 4.18%, 02/01/14 ^{(b)(e)}	300,000	268,500
Sr. Sec. Notes, 9.13%, 02/01/15 ^(b)	440,000	422,400
Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp., Sec. Gtd. First Mortgage Global Notes, 7.75%, 08/15/20	450,000	500,625
Sr. Sec. Gtd. First Mortgage Global Notes, 7.88%, 11/01/17	90,000	98,944
		4,205,635
Coal & Consumable Fuels—0.45%		
CONSOL Energy Inc., Sr. Unsec. Gtd. Global Notes, 8.00%, 04/01/17	35,000	38,587
8.25%, 04/01/20	70,000	77,700
Peabody Energy Corp., Sr. Unsec. Gtd. Notes, 6.00%, 11/15/18 ^(b)	380,000	389,500
		505,787
Communications Equipment—0.44%		
Avaya Inc., Sr. Sec. Gtd. Notes, 7.00%, 04/01/19 ^(b)	505,000	492,375
Computer & Electronics Retail—0.55%		
Rent-A-Center Inc., Sr. Unsec. Gtd Global Notes, 6.63%, 11/15/20	605,000	611,050
Computer Storage & Peripherals—0.34%		
Seagate HDD Cayman, Sr. Unsec. Gtd. Notes, 7.00%, 11/01/21 ^(b)	365,000	375,950
Construction & Engineering—1.37%		
Dycom Investments Inc., Sr. Unsec. Gtd. Sub. Global Notes, 7.13%, 01/15/21	585,000	593,775
MasTec, Inc., Sr. Unsec. Gtd. Global Notes, 7.63%, 02/01/17	315,000	328,781
Tutor Perini Corp., Sr. Unsec. Gtd. Global Notes, 7.63%, 11/01/18	650,000	614,250
		1,536,806
Construction & Farm Machinery & Heavy Trucks—1.05%		
Case New Holland Inc., Sr. Unsec. Gtd. Global Notes, 7.88%, 12/01/17	215,000	244,025
Commercial Vehicle Group, Inc., Sr. Sec. Gtd. Notes, 7.88%, 04/15/19 ^(b)	235,000	227,656

	Principal Amount	Value
Construction & Farm Machinery & Heavy Trucks—(continued)		
Manitowoc Co. Inc. (The), Sr. Unsec. Gtd. Notes, 8.50%, 11/01/20	\$ 105,000	\$ 110,250
Navistar International Corp., Sr. Unsec. Gtd. Notes, 8.25%, 11/01/21	270,000	287,550
Titan International Inc., Sr. Sec. Gtd. Global Notes, 7.88%, 10/01/17	290,000	303,050
		1,172,531
Construction Materials—0.81%		
Cemex Finance LLC, Sr. Sec. Gtd. Bonds, 9.50%, 12/14/16 ^(b)	495,000	434,548
Cemex S.A.B. de C.V. (Mexico), Unsec. Sub. Conv. Notes, 4.88%, 03/15/15	100,000	65,750
Texas Industries Inc., Sr. Unsec. Gtd. Global Notes, 9.25%, 08/15/20	415,000	373,500
U.S. Concrete Inc., Sr. Sec. Conv. Notes, 9.50%, 08/31/15 ^(b)	40,000	38,200
		911,998
Consumer Finance—2.50%		
Ally Financial Inc., Sr. Unsec. Gtd. Global Notes, 7.50%, 09/15/20	260,000	263,900
8.00%, 03/15/20	1,065,000	1,096,950
8.00%, 11/01/31	216,000	208,980
Ford Motor Credit Co. LLC, Sr. Unsec. Notes, 5.88%, 08/02/21	500,000	521,250
8.00%, 12/15/16	245,000	281,138
National Money Mart Co. (Canada), Sr. Unsec. Gtd. Global Notes, 10.38%, 12/15/16	395,000	423,637
		2,795,855
Data Processing & Outsourced Services—0.86%		
CoreLogic, Inc., Sr. Unsec. Gtd. Notes, 7.25%, 06/01/21 ^(b)	670,000	643,200
First Data Corp., Sr. Sec. Gtd. Notes, 7.38%, 06/15/19 ^(b)	135,000	127,575
SunGard Data Systems Inc., Sr. Unsec. Gtd. Global Notes, 7.38%, 11/15/18	65,000	66,788
7.63%, 11/15/20	123,000	126,997
		964,560
Department Stores—0.24%		
Sears Holdings Corp., Sr. Sec. Gtd. Global Notes, 6.63%, 10/15/18	350,000	267,750

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

	Principal Amount	Value
Distillers & Vintners–0.48%		
CEDC Finance Corp. International Inc., Sr. Sec. Gtd. Notes, 9.13%, 12/01/16 ^(b)	\$ 305,000	\$ 215,025
Constellation Brands Inc., Sr. Unsec. Gtd. Global Notes, 7.25%, 05/15/17	295,000	323,762
		538,787
Diversified Banks–0.07%		
RBS Capital Trust II, Jr. Unsec. Gtd. Sub. Global Bonds, 6.43% ^{(f)(g)}	150,000	77,625
Diversified Commercial & Professional Services–0.01%		
Corrections Corp. of America, Sr. Unsec. Gtd. Global Notes, 6.25%, 03/15/13	10,000	10,019
Diversified Metals & Mining–0.65%		
FMG Resources Pty. Ltd. (Australia), Sr. Unsec. Gtd. Notes, 6.38%, 02/01/16 ^(b)	250,000	243,131
7.00%, 11/01/15 ^(b)	185,000	187,775
Midwest Vanadium Pty. Ltd. (Australia), Sr. Sec. Gtd. Mortgage Notes, 11.50%, 02/15/18 ^(b)	65,000	47,797
Vedanta Resources PLC (United Kingdom), Sr. Unsec. Notes, 9.50%, 07/18/18 ^(b)	295,000	252,385
		731,088
Electric Utilities–0.47%		
Centrais Eletricas Brasileiras S.A. (Brazil), Sr. Unsec. Notes, 5.75%, 10/27/21 ^(b)	230,000	241,107
Edison Mission Energy, Sr. Unsec. Notes, 7.50%, 06/15/13	10,000	9,700
LSP Energy L.P./LSP Batesville Funding Corp., Series C, Sr. Sec. Mortgage Bonds, 7.16%, 01/15/14	61,046	50,515
Series D, Sr. Sec. Bonds, 8.16%, 07/15/25	275,000	228,250
		529,572
Electrical Components & Equipment–0.06%		
Polypore International Inc., Sr. Unsec. Gtd. Global Notes, 7.50%, 11/15/17	65,000	67,438
Electronic Manufacturing Services–0.38%		
Sanmina-SCI Corp., Sr. Unsec. Gtd. Notes, 7.00%, 05/15/19 ^(b)	440,000	421,300
Environmental & Facilities Services–0.10%		
EnergySolutions Inc./LLC, Sr. Unsec. Gtd. Global Notes, 10.75%, 08/15/18	125,000	117,500
Food Retail–0.30%		
New Albertsons Inc., Sr. Unsec. Bonds, 8.00%, 05/01/31	205,000	164,512
Simmons Foods Inc., Sec. Notes, 10.50%, 11/01/17 ^(b)	205,000	172,200
		336,712

	Principal Amount	Value
Forest Products–0.19%		
Millar Western Forest Products Ltd. (Canada), Sr. Unsec. Notes, 8.50%, 04/01/21 ^(b)	\$ 260,000	\$ 208,850
Sino-Forest Corp. (Canada), Sr. Unsec. Gtd. Notes, 6.25%, 10/21/17 ^(b)	30,000	8,250
		209,100
Gas Utilities–0.72%		
Ferrellgas L.P./Ferrellgas Finance Corp., Sr. Unsec. Global Notes, 6.50%, 05/01/21	433,000	383,205
Suburban Propane Partners, L.P./Suburban Energy Finance Corp., Sr. Unsec. Notes, 7.38%, 03/15/20	410,000	428,450
		811,655
Health Care Equipment–0.28%		
DJO Finance LLC/Corp., Sr. Unsec. Gtd. Global Notes, 7.75%, 04/15/18	35,000	26,775
10.88%, 11/15/14	195,000	182,813
Sr. Unsec. Gtd. Sub. Global Notes, 9.75%, 10/15/17	130,000	101,400
		310,988
Health Care Facilities–1.82%		
HCA, Inc., Sr. Sec. Gtd. Global Notes, 7.88%, 02/15/20	288,000	312,480
Sr. Unsec. Notes, 7.19%, 11/15/15	155,000	156,356
Health Management Associates Inc., Sr. Sec. Gtd. Notes, 6.13%, 04/15/16	70,000	72,625
HealthSouth Corp., Sr. Unsec. Gtd. Notes, 7.25%, 10/01/18	90,000	89,550
7.75%, 09/15/22	85,000	83,938
8.13%, 02/15/20	90,000	91,125
Select Medical Holdings Corp., Sr. Unsec. Floating Rate Global Notes, 6.27%, 09/15/15 ^(e)	155,000	134,075
Tenet Healthcare Corp., Sr. Sec. Gtd. Global Notes, 10.00%, 05/01/18	180,000	206,550
Sr. Unsec. Global Notes, 8.00%, 08/01/20	310,000	310,000
9.25%, 02/01/15	545,000	580,425
		2,037,124
Health Care Services–0.41%		
Radnet Management Inc., Sr. Unsec. Gtd. Global Notes, 10.38%, 04/01/18	225,000	201,375
Universal Hospital Services Inc., Sec. Gtd. PIK Global Notes, 8.50%, 06/01/15	250,000	254,062
		455,437
Health Care Supplies–0.12%		
Alere Inc., Sr. Unsec. Gtd. Sub. Notes, 9.00%, 05/15/16	135,000	137,025

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	Principal Amount	Value
Health Care Technology–0.29%		
MedAssets Inc., Sr. Unsec. Gtd. Global Notes, 8.00%, 11/15/18	\$ 330,000	\$ 325,050
Homebuilding–1.19%		
Beazer Homes USA Inc., Sr. Unsec. Gtd. Global Notes, 6.88%, 07/15/15	140,000	105,350
8.13%, 06/15/16	300,000	223,500
K. Hovnanian Enterprises Inc., Sr. Sec. Gtd. Global Notes, 10.63%, 10/15/16	490,000	392,000
Lennar Corp., Sr. Unsec. Gtd. Global Notes, 6.95%, 06/01/18	435,000	424,125
M/I Homes Inc., Sr. Unsec. Gtd. Global Notes, 8.63%, 11/15/18	205,000	181,937
		1,326,912
Hotels, Resorts & Cruise Lines–0.15%		
Royal Caribbean Cruises Ltd., Sr. Unsec. Global Notes, 7.25%, 03/15/18	85,000	89,462
7.50%, 10/15/27	75,000	73,688
		163,150
Household Products–0.29%		
Central Garden & Pet Co., Sr. Gtd. Sub. Notes, 8.25%, 03/01/18	325,000	320,938
Housewares & Specialties–0.45%		
American Greetings Corp., Sr. Unsec. Gtd. Notes, 7.38%, 12/01/21	500,000	506,875
Independent Power Producers & Energy Traders–1.02%		
AES Corp. (The), Sr. Unsec. Global Notes, 7.75%, 10/15/15	340,000	369,750
8.00%, 10/15/17	190,000	209,000
AES Red Oak LLC, Series A, Sr. Sec. Bonds, 8.54%, 11/30/19	207,274	213,492
Calpine Corp., Sr. Sec. Notes, 7.25%, 10/15/17 ^(b)	335,000	350,075
		1,142,317
Industrial Conglomerates–0.00%		
Indalex Holding Corp., Series B, Sec. Gtd. Global Notes, 11.50%, 02/01/14 ^(c)	230,000	2,013
Industrial Machinery–0.44%		
Cleaver-Brooks Inc., Sr. Sec. Notes, 12.25%, 05/01/16 ^(b)	305,000	308,050
Columbus McKinnon Corp., Sr. Unsec. Gtd. Sub. Global Notes, 7.88%, 02/01/19	25,000	26,094
SPX Corp., Sr. Unsec. Gtd. Global Notes, 6.88%, 09/01/17	145,000	157,325
		491,469

	Principal Amount	Value
Industrial REITs–0.10%		
DuPont Fabros Technology L.P., Sr. Unsec. Gtd. Global Notes, 8.50%, 12/15/17	\$ 100,000	\$ 107,750
Integrated Telecommunication Services–1.08%		
Integra Telecom Holdings Inc., Sr. Sec. Notes, 10.75%, 04/15/16 ^(b)	200,000	162,000
Intelsat Jackson Holdings S.A. (Luxembourg), Sr. Unsec. Gtd. Global Notes, 7.25%, 10/15/20	415,000	424,337
Sr. Unsec. Gtd. Notes, 7.25%, 04/01/19 ^(b)	130,000	133,250
7.50%, 04/01/21 ^(b)	390,000	399,750
Windstream Corp., Sr. Unsec. Gtd. Notes, 7.50%, 06/01/22 ^(b)	95,000	95,475
		1,214,812
Internet Retail–0.07%		
Travelport LLC/Inc., Sr. Unsec. Gtd. Global Notes, 9.00%, 03/01/16	135,000	76,613
Internet Software & Services–0.30%		
Equinix Inc., Sr. Unsec. Notes, 7.00%, 07/15/21	50,000	53,250
8.13%, 03/01/18	255,000	281,775
		335,025
Investment Banking & Brokerage–0.48%		
Cantor Fitzgerald L.P., Bonds, 7.88%, 10/15/19 ^(b)	325,000	326,135
E*Trade Financial Corp., Sr. Unsec. Notes, 6.75%, 06/01/16	100,000	97,500
7.88%, 12/01/15	110,000	111,100
		534,735
Leisure Facilities–0.06%		
Speedway Motorsports Inc., Sr. Unsec. Gtd. Global Notes, 6.75%, 02/01/19	70,000	71,050
Leisure Products–0.50%		
Toys R US-Delaware Inc., Sr. Sec. Gtd. Notes, 7.38%, 09/01/16 ^(b)	550,000	558,250
Life Sciences Tools & Services–0.14%		
Patheon Inc. (Canada), Sr. Sec. Gtd. Notes, 8.63%, 04/15/17 ^(b)	190,000	153,900
Marine–0.11%		
Navios Maritime Acquisition Corp./Navios Acquisition Finance U.S. Inc. (Greece), Sr. Sec. Gtd. Global Notes, 8.63%, 11/01/17	40,000	28,600
Stena A.B. (Sweden), Sr. Unsec. Global Notes, 7.00%, 12/01/16	105,000	96,994
		125,594

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	Principal Amount	Value
Movies & Entertainment–1.04%		
AMC Entertainment Inc., Sr. Gtd. Sub. Global Notes, 9.75%, 12/01/20	\$ 400,000	\$ 382,000
Sr. Unsec. Gtd. Global Notes, 8.75%, 06/01/19	314,000	326,168
NAI Entertainment Holdings LLC, Sr. Sec. Notes, 8.25%, 12/15/17 ^(b)	430,000	457,412
		1,165,580
Multi-Line Insurance–1.75%		
American International Group Inc., Jr. Unsec. Sub. Global Deb., 8.18%, 05/15/58	380,000	344,850
Fairfax Financial Holdings Ltd. (Canada), Sr. Unsec. Notes, 5.80%, 05/15/21 ^(b)	255,000	241,613
Hartford Financial Services Group Inc. (The), Jr. Unsec. Sub. Deb., 8.13%, 06/15/38	190,000	189,050
Sr. Unsec. Global Notes, 5.95%, 10/15/36	90,000	83,149
Liberty Mutual Group Inc., Jr. Unsec. Gtd. Sub. Bonds, 7.80%, 03/15/37 (Acquired 09/16/10- 10/01/10; Cost \$471,375) ^(b)	495,000	444,262
Nationwide Mutual Insurance Co., Unsec. Sub. Notes, 9.38%, 08/15/39 ^(b)	545,000	657,275
		1,960,199
Multi-Sector Holdings–0.16%		
Reynolds Group Issuer Inc./LLC/Luxembourg S.A., Sr. Unsec. Gtd. Notes, 8.25%, 02/15/21 ^(b)	200,000	178,000
Office Services & Supplies–0.26%		
IKON Office Solutions, Inc., Sr. Unsec. Notes, 6.75%, 12/01/25	265,000	259,037
Interface Inc., Sr. Unsec. Gtd. Global Notes, 7.63%, 12/01/18	35,000	37,188
		296,225
Oil & Gas Equipment & Services–1.35%		
Bristow Group, Inc., Sr. Unsec. Gtd. Global Notes, 7.50%, 09/15/17	530,000	548,550
Key Energy Services, Inc., Sr. Unsec. Gtd. Notes, 6.75%, 03/01/21	805,000	809,025
SESI LLC, Sr. Unsec. Gtd. Global Notes, 6.38%, 05/01/19	145,000	148,625
		1,506,200
Oil & Gas Exploration & Production–4.78%		
Berry Petroleum Co., Sr. Unsec. Notes, 6.75%, 11/01/20	95,000	96,544
Chaparral Energy Inc., Sr. Unsec. Gtd. Global Notes, 8.25%, 09/01/21	305,000	310,337
8.88%, 02/01/17	295,000	305,694
Chesapeake Energy Corp., Sr. Unsec. Gtd. Global Notes, 6.88%, 11/15/20	185,000	197,025
Sr. Unsec. Gtd. Notes, 6.13%, 02/15/21	185,000	190,319

	Principal Amount	Value
Oil & Gas Exploration & Production–(continued)		
Cimarex Energy Co., Sr. Unsec. Gtd. Notes, 7.13%, 05/01/17	\$ 65,000	\$ 68,169
Continental Resources Inc., Sr. Unsec. Gtd. Global Notes, 7.13%, 04/01/21	85,000	92,438
7.38%, 10/01/20	190,000	207,812
8.25%, 10/01/19	130,000	143,487
EXCO Resources Inc., Sr. Unsec. Gtd. Notes, 7.50%, 09/15/18	590,000	560,500
Forest Oil Corp., Sr. Unsec. Gtd. Global Notes, 7.25%, 06/15/19	195,000	196,950
McMoRan Exploration Co., Sr. Unsec. Gtd. Notes, 11.88%, 11/15/14	200,000	213,500
Newfield Exploration Co., Sr. Unsec. Sub. Global Notes, 7.13%, 05/15/18	518,000	547,759
OGX Petroleo e Gas Participacoes S.A. (Brazil), Sr. Unsec. Gtd. Notes, 8.50%, 06/01/18 ^(b)	260,000	256,290
Plains Exploration & Production Co., Sr. Unsec. Gtd. Notes, 7.63%, 06/01/18	520,000	553,800
8.63%, 10/15/19	100,000	110,250
Range Resources Corp., Sr. Unsec. Gtd. Sub. Notes, 5.75%, 06/01/21	340,000	366,350
SM Energy Co., Sr. Unsec. Notes, 6.63%, 02/15/19 ^(b)	140,000	144,900
6.50%, 11/15/21 ^(b)	680,000	703,800
Whiting Petroleum Corp., Sr. Unsec. Gtd. Sub. Notes, 6.50%, 10/01/18	80,000	83,700
		5,349,624
Oil & Gas Refining & Marketing–0.65%		
United Refining Co., Sr. Sec. Gtd. Global Notes, 10.50%, 02/28/18	770,000	723,800
Oil & Gas Storage & Transportation–3.60%		
Atlas Pipeline Partners L.P./Atlas Pipeline Finance Corp., Sr. Unsec. Gtd. Notes, 8.75%, 06/15/18 ^(b)	575,000	608,062
Chesapeake Midstream Partners L.P./CHKM Finance Corp., Sr. Unsec. Gtd. Notes, 5.88%, 04/15/21 ^(b)	535,000	540,350
Copano Energy LLC/Copano Energy Finance Corp., Sr. Unsec. Gtd. Notes, 7.13%, 04/01/21	485,000	492,275
Energy Transfer Equity L.P., Sr. Sec. Gtd. Notes, 7.50%, 10/15/20	385,000	418,206
Inergy L.P./Inergy Finance Corp., Sr. Unsec. Gtd. Global Notes, 6.88%, 08/01/21	183,000	185,288
MarkWest Energy Partners L.P./MarkWest Energy Finance Corp., Sr. Unsec. Gtd. Notes, 6.25%, 06/15/22	410,000	430,500
Overseas Shipholding Group, Inc., Sr. Unsec. Notes, 8.13%, 03/30/18	375,000	229,687

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

	Principal Amount	Value
Oil & Gas Storage & Transportation--(continued)		
Regency Energy Partners L.P./Regency Energy Finance Corp., Sr. Unsec. Gtd. Notes, 6.88%, 12/01/18	\$ 245,000	\$ 260,619
Targa Resources Partners L.P./Targa Resources Partners Finance Corp., Sr. Unsec. Gtd. Notes, 6.88%, 02/01/21 ^(b)	305,000	310,337
Teekay Corp. (Canada), Sr. Unsec. Global Notes, 8.50%, 01/15/20	105,000	101,588
WPX Energy Inc., Sr. Unsec. Notes, 6.00%, 01/15/22 ^(b)	440,000	452,100
		4,029,012
Other Diversified Financial Services--1.92%		
Aircastle Ltd., Sr. Notes, 9.75%, 08/01/18 ^(b)	90,000	94,950
International Lease Finance Corp., Sr. Sec. Notes, 6.75%, 09/01/16 ^(b)	145,000	148,897
	200,000	206,938
		7.13%, 09/01/18 ^(b)
Sr. Unsec. Global Notes, 5.75%, 05/15/16	65,000	60,572
	100,000	92,500
	370,000	378,880
	285,000	294,797
	860,000	871,287
		2,148,821
Packaged Foods & Meats--0.26%		
Del Monte Corp., Sr. Unsec. Gtd. Global Notes, 7.63%, 02/15/19	305,000	295,088
Paper Packaging--0.22%		
Cascades Inc. (Canada), Sr. Unsec. Gtd. Global Notes, 7.88%, 01/15/20	250,000	244,375
Paper Products--1.34%		
Boise Cascade LLC, Sr. Unsec. Gtd. Sub. Global Notes, 7.13%, 10/15/14	785,000	781,075
Clearwater Paper Corp., Sr. Unsec. Gtd. Global Notes, 7.13%, 11/01/18	225,000	234,562
Mercer International Inc., Sr. Unsec. Gtd. Global Notes, 9.50%, 12/01/17	205,000	210,638
NewPage Corp., Sr. Sec. Gtd. Global Notes, 11.38%, 12/31/14	215,000	159,638
P.H. Glatfelter Co., Sr. Unsec. Gtd. Global Notes, 7.13%, 05/01/16	105,000	108,806
		1,494,719

	Principal Amount	Value
Pharmaceuticals--1.16%		
Aptalis Pharma Inc., Sr. Unsec. Gtd. Global Notes, 12.75%, 03/01/16	\$ 95,000	\$ 100,700
Elan Finance PLC/Corp. (Ireland), Sr. Unsec. Gtd. Global Notes, 8.75%, 10/15/16	105,000	112,875
	100,000	107,250
		8.75%, 10/15/16
Endo Pharmaceuticals Holdings Inc., Sr. Unsec. Gtd. Global Notes, 7.00%, 12/15/20	30,000	32,025
Mylan Inc., Sr. Unsec. Gtd. Notes, 6.00%, 11/15/18 ^(b)	135,000	139,388
NBTY Inc., Sr. Unsec. Gtd. Global Notes, 9.00%, 10/01/18	400,000	440,000
Valeant Pharmaceuticals International, Sr. Unsec. Gtd. Notes, 6.75%, 10/01/17 ^(b)	85,000	85,000
	285,000	278,231
		6.75%, 08/15/21 ^(b)
		1,295,469
Property & Casualty Insurance--0.32%		
QBE Capital Funding III Ltd. (Botswana), Unsec. Gtd. Sub. Notes, 7.25%, 05/24/41 ^(b)	200,000	176,820
XL Group PLC (Ireland), Series E, Jr. Sub. Global Pfd. Bonds, 6.50% ^(g)	225,000	177,187
		354,007
Publishing--0.02%		
MediMedia USA Inc., Sr. Unsec. Sub. Notes, 11.38%, 11/15/14 ^(b)	30,000	26,625
Real Estate Services--0.20%		
CB Richard Ellis Services Inc., Sr. Unsec. Gtd. Global Notes, 6.63%, 10/15/20	215,000	221,988
Regional Banks--1.53%		
AmSouth Bancorp., Unsec. Sub. Deb., 6.75%, 11/01/25	75,000	61,500
BB&T Capital Trust II, Jr. Unsec. Ltd. Gtd. Sub. Global Trust Pfd. Capital Securities, 6.75%, 06/07/36	180,000	179,831
PNC Financial Services Group, Inc., Series O, Jr. Unsec. Sub. Pfd. Notes, 6.75% ^(g)	120,000	118,200
Regions Financial Corp., Sr. Unsec. Notes, 5.75%, 06/15/15	500,000	483,750
	465,000	384,787
		Unsec. Sub. Notes, 7.38%, 12/10/37
Susquehanna Capital II, Jr. Unsec. Ltd. Gtd. Sub. Notes, 11.00%, 03/23/40	175,000	181,782
Synovus Financial Corp., Unsec. Sub. Global Notes, 5.13%, 06/15/17	355,000	302,638
		1,712,488
Research & Consulting Services--0.26%		
FTI Consulting Inc., Sr. Unsec. Gtd. Global Notes, 6.75%, 10/01/20	275,000	288,063

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	Principal Amount	Value
Semiconductor Equipment–0.75%		
Amkor Technology Inc., Sr. Unsec. Global Notes, 6.63%, 06/01/21	\$ 210,000	\$ 202,125
7.38%, 05/01/18	315,000	322,875
Sensata Technologies B.V. (Netherlands), Sr. Unsec. Gtd. Notes, 6.50%, 05/15/19 ^(b)	320,000	319,200
		844,200
Semiconductors–0.56%		
Freescale Semiconductor Inc., Sr. Sec. Gtd. Notes, 9.25%, 04/15/18 ^(b)	125,000	134,062
Sr. Unsec. Gtd. Global Notes, 8.05%, 02/01/20	325,000	305,500
10.75%, 08/01/20	175,000	182,875
		622,437
Specialized Finance–1.25%		
CIT Group Inc., Sec. Gtd. Bonds, 7.00%, 05/02/17 ^(b)	1,395,000	1,398,487
Specialized REITs–0.80%		
Host Hotels & Resorts L.P., Sr. Gtd. Global Notes, 6.00%, 11/01/20	205,000	210,125
Sr. Unsec. Gtd. Notes, 6.00%, 10/01/21 ^(b)	325,000	334,750
MPT Operating Partnership L.P./MPT Finance Corp., Sr. Unsec. Gtd. Global Notes, 6.88%, 05/01/21	200,000	199,250
Omega Healthcare Investors, Inc., Sr. Unsec. Gtd. Global Notes, 6.75%, 10/15/22	155,000	155,581
		899,706
Specialty Chemicals–1.17%		
Ferro Corp., Sr. Unsec. Notes, 7.88%, 08/15/18	260,000	263,900
Huntsman International LLC, Sr. Unsec. Gtd. Global Notes, 5.50%, 06/30/16	245,000	241,938
Sr. Unsec. Gtd. Sub. Global Notes, 8.63%, 03/15/21	263,000	280,095
NewMarket Corp., Sr. Unsec. Gtd. Global Notes, 7.13%, 12/15/16	150,000	153,656
PolyOne Corp., Sr. Unsec. Notes, 7.38%, 09/15/20	360,000	372,600
		1,312,189
Specialty Stores–0.58%		
Michaels Stores Inc., Sr. Unsec. Gtd. Global Notes, 7.75%, 11/01/18	185,000	188,700
Sr. Unsec. Gtd. Sub. Disc. Global Notes, 13.00%, 11/01/16	135,000	143,944
Sally Holdings LLC/Sally Capital Inc., Sr. Unsec. Gtd. Notes, 6.88%, 11/15/19 ^(b)	305,000	318,725
		651,369

	Principal Amount	Value
Steel–0.24%		
APERAM (Luxembourg), Sr. Unsec. Notes, 7.38%, 04/01/16 ^(b)	\$ 150,000	\$ 130,125
United States Steel Corp., Sr. Unsec. Notes, 7.00%, 02/01/18	140,000	139,300
		269,425
Systems Software–0.48%		
Allen Systems Group Inc., Sec. Gtd. Notes, 10.50%, 11/15/16 ^(b)	615,000	538,125
Tires & Rubber–0.35%		
Cooper Tire & Rubber Co., Sr. Unsec. Notes, 8.00%, 12/15/19	350,000	365,750
Goodyear Tire & Rubber Co. (The), Sr. Unsec. Gtd. Notes, 8.25%, 08/15/20	20,000	21,900
		387,650
Trading Companies & Distributors–2.18%		
Avis Budget Car Rental LLC/Avis Budget Finance Inc., Sr. Unsec. Gtd. Global Notes, 8.25%, 01/15/19	585,000	583,537
9.75%, 03/15/20	70,000	72,450
H&E Equipment Services Inc., Sr. Unsec. Gtd. Global Notes, 8.38%, 07/15/16	485,000	496,519
Hertz Corp. (The), Sr. Unsec. Gtd. Global Notes, 6.75%, 04/15/19	260,000	264,550
7.38%, 01/15/21	500,000	513,750
7.50%, 10/15/18	170,000	178,075
8.88%, 01/01/14	2,569	2,572
Interline Brands, Inc., Sr. Unsec. Gtd. Global Notes, 7.00%, 11/15/18	125,000	129,688
RSC Equipment Rental Inc./RSC Holdings III LLC, Sr. Unsec. Gtd. Global Notes, 8.25%, 02/01/21	195,000	199,875
		2,441,016
Wireless Telecommunication Services–4.11%		
Clearwire Communications LLC/Clearwire Finance, Inc., Sr. Sec. Gtd. Notes, 12.00%, 12/01/15 ^(b)	465,000	449,887
Sr. Unsec. Gtd. Conv. Notes, 8.25%, 12/01/17 ^{(b)(h)}	60,000	38,700
Cricket Communications, Inc., Sr. Sec. Gtd. Global Notes, 7.75%, 05/15/16	225,000	234,281
Sr. Unsec. Gtd. Global Notes, 7.75%, 10/15/20	820,000	721,600
Digicel Group Ltd. (Bermuda), Sr. Unsec. Notes, 8.88%, 01/15/15 ^(b)	200,000	196,750
Digicel Ltd. (Bermuda), Sr. Unsec. Notes, 8.25%, 09/01/17 ^(b)	255,000	258,825

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

	Principal Amount	Value
Wireless Telecommunication Services—(continued)		
MetroPCS Wireless Inc., Sr. Unsec. Gtd. Notes, 6.63%, 11/15/20	\$ 235,000	\$ 222,075
7.88%, 09/01/18	190,000	192,969
SBA Telecommunications Inc., Sr. Unsec. Gtd. Global Notes, 8.25%, 08/15/19	240,000	262,500
Sprint Capital Corp., Sr. Unsec. Gtd. Global Notes, 6.90%, 05/01/19	250,000	205,625
Sprint Nextel Corp., Sr. Unsec. Gtd. Notes, 9.00%, 11/15/18 ^(b)	285,000	300,319
Sr. Unsec. Notes, 8.38%, 08/15/17	340,000	307,275
11.50%, 11/15/21 ^(b)	125,000	124,219
VimpelCom (Ireland), Unsec. Notes, 7.75%, 02/02/21 ^(b)	400,000	343,000
Wind Acquisition Finance S.A. (Luxembourg), Sr. Sec. Gtd. Notes, 7.25%, 02/15/18 ^(b)	200,000	181,500
11.75%, 07/15/17 ^(b)	625,000	559,375
		4,598,900
Total U.S. Dollar Denominated Bonds and Notes (Cost \$84,223,075)		83,318,275

**Non-U.S. Dollar Denominated Bonds &
Notes—7.42%⁽ⁱ⁾**

Canada—0.22%

Gateway Casinos & Entertainment Ltd., Sec. Gtd. Notes, 8.88%, 11/15/17 ^(b)	CAD 240,000	240,283
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Croatia—0.10%

Agrokor D.D., Sr. Unsec. Gtd. Notes, 10.00%, 12/07/16 ^(b)	EUR 90,000	108,620
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Czech Republic—0.13%

CET 21 spol sro, Sr. Sec. Notes, 9.00%, 11/01/17 ^(b)	EUR 115,000	142,147
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Ireland—1.21%

Ardagh Packaging Finance PLC, Sr. Unsec. Gtd. Notes, 9.25%, 10/15/20 ^(b)	EUR 400,000	469,831
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Bord Gais Eireann, Sr. Unsec. Medium-Term Euro Notes, 5.75%, 06/16/14	EUR 255,000	313,872
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Nara Cable Funding Ltd., Sr. Sec. Notes, 8.88%, 12/01/18 ^(b)	EUR 500,000	571,110
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1,354,813

Italy—0.12%

Lottomatica SpA, REGS, Jr. Unsec. Sub. Euro Bonds, 8.25%, 03/31/66 ^(b)	EUR 130,000	132,083
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Luxembourg—2.69%

Boardriders S.A., Sr. Unsec. Gtd. Notes, 8.88%, 12/15/17 ^(b)	EUR 315,000	\$ 358,780
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Cirsa Funding Luxembourg S.A., Sr. Unsec. Gtd. Notes, 8.75%, 05/15/18 ^(b)	EUR 180,000	191,912
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REGS, Sr. Gtd. Euro Notes, 8.75%, 05/15/18 ^(b)	EUR 150,000	159,927
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Codere Finance Luxembourg S.A., Sr. Sec. Gtd. Notes, 8.25%, 06/15/15 ^(b)	EUR 100,000	119,723
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REGS, Sr. Sec. Gtd. Euro Notes, 8.25%, 06/15/15 ^(b)	EUR 390,000	466,919
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ConvaTec Healthcare S.A., Sr. Sec. Gtd. Notes, 7.38%, 12/15/17 ^(b)	EUR 200,000	245,917
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Sr. Unsec. Gtd. Notes, 10.88%, 12/15/18 ^(b)	EUR 100,000	112,604
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KION Finance S.A., Sr. Sec. Gtd. Notes, 7.88%, 04/15/18 ^(b)	EUR 200,000	192,851
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Mark IV Europe Lux SCA/Mark IV USA SCA, Sr. Sec. Gtd. Notes, 8.88%, 12/15/17 ^(b)	EUR 300,000	394,114
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Sunrise Communications Holdings S.A., REGS, Sr. Sec. Gtd. Medium-Term Euro Notes, 8.50%, 12/31/18 ^(b)	EUR 200,000	262,743
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TMD Friction Finance S.A., Sr. Sec. Gtd. Bonds, 10.75%, 05/15/17 ^(b)	EUR 210,000	284,034
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Wind Acquisition Finance S.A., Sr. Gtd. Notes, 11.75%, 07/15/17 ^(b)	EUR 100,000	107,751
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Xefin Lux SCA, Sr. Sec. Notes, 8.00%, 06/01/18 ^(b)	EUR 100,000	117,781
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3,015,056

Netherlands—1.05%

Boats Investments B.V., Sec. PIK Medium-Term Euro Notes, 11.00%, 03/31/17	EUR 81,472	62,261
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Carlson Wagonlit B.V., Sr. Gtd. Floating Rate Notes, 7.34%, 05/01/15 ^{(b)(e)}	EUR 140,000	150,398
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Goodyear Dunlop Tires Europe B.V., Sr. Unsec. Gtd. Notes, 6.75%, 04/15/19 ^(b)	EUR 400,000	481,480
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Polish Television Holding B.V., Sr. Sec. Notes, 11.25%, 05/15/17 ^{(b)(i)}	EUR 60,000	78,823
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Ziggo Bond Co. B.V., Sr. Sec. Gtd. Notes, 8.00%, 05/15/18 ^(b)	EUR 310,000	407,251
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1,180,213

Sweden—0.12%

TVN Finance Corp II A.B., Sr. Unsec. Gtd. Notes, 10.75%, 11/15/17 ^(b)	EUR 100,000	135,254
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United Kingdom—1.48%

EC Finance PLC, REGS, Sr. Sec. Gtd. Euro Notes, 9.75%, 08/01/17 ^(b)	EUR 100,000	100,308
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Exova PLC, Sr. Unsec. Notes, 10.50%, 10/15/18 ^(b)	GBP 200,000	246,991
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Infinis PLC, Sr. Sec. Notes, 9.13%, 12/15/14 ^(b)	GBP 80,000	126,136
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Kerling PLC, Sr. Sec. Gtd. Notes, 10.63%, 02/01/17 ^(b)	EUR 130,000	149,750
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Odeon & UCI Finco PLC, Sr. Sec. Gtd. Notes, 9.00%, 08/01/18 ^(b)	GBP 210,000	300,932
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See accompanying Notes to Financial Statements which are an integral part of the financial statements.

	Principal Amount	Value
United Kingdom—(continued)		
Pipe Holdings PLC, Sr. Sec. Gtd. Bonds, 9.50%, 11/01/15 ^(b)	GBP 200,000	\$ 277,282
R&R Ice Cream PLC, Sr. Sec. Gtd. Notes, 8.38%, 11/15/17 ^(b)	EUR 300,000	343,637
REGS, Sr. Sec. Gtd. Euro Notes, 8.38%, 11/15/17 ^(b)	EUR 100,000	114,546
		1,659,582
United States—0.30%		
CEDC Finance Corp. International Inc., Sr. Sec. Gtd. Notes, 8.88%, 12/01/16 ^(b)	EUR 355,000	330,823
Total Non-U.S. Dollar Denominated Bonds & Notes (Cost \$9,679,515)		8,298,874

	Shares	Value
Common Stocks & Other Equity Interests—1.48%		
Automobile Manufacturers—0.17%		
General Motors Co. ^{(d)(k)}	4,888	99,080
General Motors Co., Wts. expiring 07/10/16 ^{(d)(k)}	4,443	52,116
General Motors Co., Wts. expiring 07/10/19 ^{(d)(k)}	4,443	34,744
		185,940

Broadcasting—0.00%		
Adelphia Communications Corp. ^(l)	—	820
Adelphia Recovery Trust, Series ACC-1 ^(l)	318,570	319
Adelphia Recovery Trust, Series Arahova ^(l)	109,170	4,476
		5,615

Building Products—0.01%		
Nortek, Inc. ^(k)	215	5,624

Construction Materials—0.05%		
U.S. Concrete, Inc. ^(k)	20,786	60,279

Integrated Telecommunication Services—0.21%		
Hawaiian Telcom Holdco Inc.—Wts. expiring 10/28/15 ^(k)	1,527	6,108
Largo Limited—Class A (Luxembourg) ^(k)	17,563	22,732
Largo Limited—Class B (Luxembourg) ^(k)	158,069	204,589
		233,429

Investment Companies—Mutual Funds—1.03%		
BlackRock Corporate High Yield Fund V, Inc.	50,000	584,500
BlackRock Corporate High Yield Fund VI, Inc.	50,000	569,000
		1,153,500

Publishing—0.00%		
Reader's Digest Association Inc. (The), Wts. expiring 02/19/14 ^(k)	669	0

	Shares	Value
Semiconductors—0.01%		
Magnachip Semiconductor Corp. ^(k)	1,372	\$ 10,263
Total Common Stocks & Other Equity Interests (Cost \$3,530,237)		1,654,650

Preferred Stocks—1.43%		
Automobile Manufacturers—0.11%		
General Motors Co., Series B, \$2.38 Conv. Pfd.	3,580	122,615

Consumer Finance—0.65%		
Ally Financial, Inc., Series A, 8.50% Pfd.	7,845	144,269
Series G, 7.00% Pfd. ^(b)	581	416,523
GMAC Capital Trust I, Series 2, 8.13% Jr. Gtd. Sub. Pfd. ^(e)	8,630	166,904
		727,696

Industrial REITs—0.07%		
DuPont Fabros Technology, Inc., Series B, 7.63% Pfd.	3,020	75,319

Regional Banks—0.49%		
Zions Bancorp., Series C, 9.50% Pfd.	21,800	550,450

Tires & Rubber—0.11%		
Goodyear Tire & Rubber Co. (The), \$2.94 Conv. Pfd.	2,490	121,139
Total Preferred Stocks (Cost \$1,715,918)		1,597,219

	Principal Amount	Value
U.S. Treasury Bills—0.56%^(m)		
0.06%, 05/24/12 ⁽ⁿ⁾ (Cost \$629,854)	\$ 630,000	629,894

Bundled Securities—0.03%		
Investment Banking & Brokerage—0.03%		
Targeted Return Index Securities Trust, Series HY 2006-1, Sec. Variable Rate Bonds, 7.12%, 05/01/16 (Acquired 08/15/08; Cost \$28,350) (Cost \$28,950) ^{(b)(e)}	30,000	29,511

	Shares	Value
Money Market Funds—10.75%		
Liquid Assets Portfolio—Institutional Class ^(o)	6,017,716	6,017,716
Premier Portfolio—Institutional Class ^(o)	6,017,715	6,017,715
Total Money Market Funds (Cost \$12,035,431)		12,035,431
TOTAL INVESTMENTS—96.11% (Cost \$111,842,980)		107,563,854
OTHER ASSETS LESS LIABILITIES—3.89%		4,355,882
NET ASSETS—100.00%		\$111,919,736

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

Investment Abbreviations:

CAD – Canadian Dollar
Conv. – Convertible
Ctfs. – Certificates
Deb. – Debentures
Disc. – Discounted
EUR – Euro
GBP – British Pound
Gtd. – Guaranteed
Jr. – Junior

Pfd. – Preferred
PIK – Payment in Kind
REGS – Regulation S
REIT – Real Estate Investment Trust
Sec. – Secured
Sr. – Senior
Sub. – Subordinated
Unsec. – Unsecured
Wts. – Warrants

Notes to Schedule of Investments:

- (a) Industry and/or sector classifications used in this report are generally according to the Global Industry Classification Standard, which was developed by and is the exclusive property and a service mark of MSCI Inc. and Standard & Poor's.
- (b) Security purchased or received in a transaction exempt from registration under the Securities Act of 1933, as amended. The security may be resold pursuant to an exemption from registration under the 1933 Act, typically to qualified institutional buyers. The aggregate value of these securities at December 31, 2011 was \$35,600,798, which represented 31.81% of the Trust's Net Assets.
- (c) Defaulted security. Currently, the issuer is partially or fully in default with respect to interest payments. The aggregate value of these securities at December 31, 2011 was \$742,763, which represented 0.66% of the Fund's Net Assets.
- (d) Acquired as part of the General Motors reorganization.
- (e) Interest or dividend rate is redetermined periodically. Rate shown is the rate in effect on December 31, 2011.
- (f) Interest payments have been suspended under European Union agreement for 24 months beginning April 30, 2010.
- (g) Perpetual bond with no specified maturity date.
- (h) Security has an irrevocable call by the issuer or mandatory put by the holder. Maturity date reflects such call or put.
- (i) Foreign denominated security. Principal amount is denominated in currency indicated.
- (j) Step coupon bond issued at discount. The interest rate represents the coupon rate at which the bond will accrue at a specified future date.
- (k) Non-income producing security.
- (l) Non-income producing security acquired as part of the Adelfia Communications bankruptcy reorganization.
- (m) Security traded on a discount basis. The interest rate shown represents the discount rate at the time of purchase by the Fund.
- (n) A portion of the principal balance was pledged as collateral for open credit default swap contracts. See Note 1M and Note 4.
- (o) The money market fund and the Fund are affiliated by having the same investment adviser.

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

Statement of Assets and Liabilities

December 31, 2011

Assets:

Investments, at value (Cost \$99,807,549)	\$ 95,528,423
Investments in affiliated money market funds, at value and cost	12,035,431
Total investments, at value (Cost \$111,842,980)	107,563,854
Foreign currencies, at value (Cost \$474,445)	470,094
Receivable for:	
Investments sold	82,854
Fund shares sold	2,288,053
Dividends and interest	1,773,310
Foreign currency contracts	512,358
Unrealized appreciation on swap agreements	17,439
Investment for trustee deferred compensation and retirement plans	38,719
Total assets	112,746,681

Liabilities:

Payable for:	
Investments purchased	353
Fund shares reacquired	206,043
Accrued fees to affiliates	101,955
Accrued other operating expenses	49,658
Trustee deferred compensation and retirement plans	47,020
Premiums received on swap agreements	421,916
Total liabilities	826,945
Net assets applicable to shares outstanding	\$111,919,736

Net assets consist of:

Shares of beneficial interest	\$121,938,972
Undistributed net investment income	5,493,549
Undistributed net realized gain (loss)	(11,717,723)
Unrealized appreciation (depreciation)	(3,795,062)
Total	\$111,919,736

Net Assets:

Series I	\$106,556,691
Series II	\$ 5,363,045

Shares outstanding, \$0.001 par value per share, with an unlimited number of shares authorized:

Series I	21,148,580
Series II	1,065,588
Series I:	
Net asset value per share	\$ 5.04
Series II:	
Net asset value per share	\$ 5.03

Statement of Operations

For the year ended December 31, 2011

Investment income:

Interest (net of foreign withholding taxes of \$(285))	\$ 6,132,993
Dividends	143,967
Dividends from affiliated money market funds (includes securities lending income of \$14)	5,225
Total investment income	6,282,185

Expenses:

Advisory fees	512,057
Administrative services fees	228,977
Custodian fees	25,198
Distribution fees — Series II	5,398
Transfer agent fees	22,690
Trustees' and officers' fees and benefits	20,526
Other	62,780
Total expenses	877,626
Less: Fees waived	(191,950)
Net expenses	685,676
Net investment income	5,596,509

Realized and unrealized gain (loss) from:

Net realized gain (loss) from:	
Investment securities	1,963,734
Foreign currencies	(8,212)
Foreign currency contracts	27,134
Swap agreements	6,312
Total	1,988,968
Change in net unrealized appreciation (depreciation) of:	
Investment securities	(8,420,039)
Foreign currencies	(15,872)
Foreign currency contracts	536,238
Swap agreements	17,439
Total	(7,882,234)
Net realized and unrealized gain (loss)	(5,893,266)
Net increase (decrease) in net assets resulting from operations	\$ (296,757)

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

Statement of Changes in Net Assets

For the years ended December 31, 2011 and 2010

	December 31, 2011	December 31, 2010
Operations:		
Net investment income	\$ 5,596,509	\$ 4,456,145
Net realized gain	1,988,968	3,536,654
Change in net unrealized appreciation (depreciation)	(7,882,234)	(977,968)
Net increase (decrease) in net assets resulting from operations	(296,757)	7,014,831
Distributions to shareholders from net investment income:		
Series I	(4,229,022)	(5,284,452)
Series II	(46,712)	(38,411)
Total distributions from net investment income	(4,275,734)	(5,322,863)
Share transactions—net:		
Series I	55,281,125	(6,523,411)
Series II	4,911,560	17,659
Net increase (decrease) in net assets resulting from share transactions	60,192,685	(6,505,752)
Net increase (decrease) in net assets	55,620,194	(4,813,784)
Net assets:		
Beginning of year	56,299,542	61,113,326
End of year (includes undistributed net investment income of \$5,493,549 and \$4,198,259, respectively)	\$111,919,736	\$56,299,542

Notes to Financial Statements

December 31, 2011

NOTE 1—Significant Accounting Policies

Invesco V.I. High Yield Fund (the “Fund”) is a series portfolio of AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the “Trust”). The Trust is a Delaware statutory trust registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as an open-end series management investment company consisting of twenty-eight separate portfolios, (each constituting a “Fund”). The assets, liabilities and operations of each portfolio are accounted for separately. Information presented in these financial statements pertains only to the Fund. Matters affecting each Fund or class will be voted on exclusively by the shareholders of such Fund or class. Current Securities and Exchange Commission (“SEC”) guidance, however, requires participating insurance companies offering separate accounts to vote shares proportionally in accordance with the instructions of the contract owners whose investments are funded by shares of each Fund or class.

The Fund’s investment objective is total return, comprised of current income and capital appreciation.

The Fund currently offers two classes of shares, Series I and Series II, both of which are offered to insurance company separate accounts funding variable annuity contracts and variable life insurance policies (“variable products”).

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

A. Security Valuations — Securities, including restricted securities, are valued according to the following policy.

Debt obligations (including convertible bonds) and unlisted equities are fair valued using an evaluated quote provided by an independent pricing service. Evaluated quotes provided by the pricing service may be determined without exclusive reliance on quoted prices, and may reflect appropriate factors such as institution-size trading in similar groups of securities, developments related to specific securities, dividend rate, yield, quality, type of issue, coupon rate, maturity, individual trading characteristics and other market data. Debt securities are subject to interest rate and credit risks. In addition, all debt securities involve some risk of default with respect to interest and/or principal payments.

Senior secured floating rate loans and senior secured floating rate debt securities are fair valued using an evaluated quote provided by an independent pricing service. Evaluated quotes provided by the pricing service may reflect appropriate factors such as ratings, tranche type, industry, company performance, spread, individual trading characteristics, institution-size trading in similar groups of securities and other market data.

A security listed or traded on an exchange (except convertible bonds) is valued at its last sales price or official closing price as of the close of the customary trading session on the exchange where the security is principally traded, or lacking any sales or official closing price on a particular day, the security may be valued at the closing bid price on that day. Securities traded in the over-the-counter market are valued based on prices furnished by independent pricing services or market makers. When such securities are valued by an independent pricing service they may be considered fair valued.

Futures contracts are valued at the final settlement price set by an exchange on which they are principally traded. Listed options are valued at the mean between the last bid and ask prices from the exchange on which they are principally traded. Options not listed on an exchange are valued by an independent source at the mean between the last bid and ask prices. For purposes of determining net asset value per share, futures and option contracts generally are valued 15 minutes after the close of the customary trading session of the New York Stock Exchange (“NYSE”).

Investments in open-end and closed-end registered investment companies that do not trade on an exchange are valued at the end of day net asset value per share. Investments in open-end and closed-end registered investment companies that trade on an exchange are valued at the last sales price or official closing price as of the close of the customary trading session on the exchange where the security is principally traded.

Swap agreements are fair valued using an evaluated quote provided by an independent pricing service. Evaluated quotes provided by the pricing service are valued based on a model which may include end of day net present values, spreads, ratings, industry, and company performance.

Foreign securities (including foreign exchange contracts) are converted into U.S. dollar amounts using the applicable exchange rates as of the close of the NYSE. If market quotations are available and reliable for foreign exchange traded equity securities, the securities will be valued at the market quotations. Because trading hours for certain foreign securities end before the close of the NYSE, closing market quotations may become unreliable. If between the time trading ends on a particular security and the close of the customary trading session on the NYSE, events occur that are significant and make the closing price unreliable, the Fund may fair value the security. If the event is likely to have affected the closing price of the security, the security will be valued at fair value in good faith using procedures approved by the Board of Trustees. Adjustments to closing prices to reflect fair value may also be based on a screening process of an independent pricing service to indicate the degree of certainty, based on historical data, that the closing price in the principal market where a foreign security trade is not the current value as of the close of the NYSE. Foreign securities meeting the approved degree of certainty that the price is not reflective of current value will be priced at the indication of fair value from the independent pricing service. Multiple factors may be considered by the independent pricing service in determining adjustments to reflect fair value and may include information relating to sector indices, American Depositary Receipts and domestic and foreign index futures. Foreign securities may have additional risks including exchange rate changes, potential for sharply devalued currencies and high inflation, political and economic upheaval, the relative lack of issuer information, relatively low market liquidity and the potential lack of strict financial and accounting controls and standards.

Securities for which market prices are not provided by any of the above methods may be valued based upon quotes furnished by independent sources. The last bid price may be used to value equity securities. The mean between the last bid and asked prices is used to value debt obligations, including Corporate Loans.

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

Valuations change in response to many factors including the historical and prospective earnings of the issuer, the value of the issuer’s assets, general economic conditions, interest rates, investor perceptions and market liquidity. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

B. Securities Transactions and Investment Income — Securities transactions are accounted for on a trade date basis. Realized gains or losses on sales are computed on the basis of specific identification of the securities sold. Interest income is recorded on the accrual basis from settlement date. Paydown gains and losses on mortgage and asset-backed securities are recorded as adjustments to interest income. Dividend income (net of withholding tax, if any) is recorded on the ex-dividend date. Bond premiums and discounts are amortized and/or accreted for financial reporting purposes.

The Fund may periodically participate in litigation related to Fund investments. As such, the Fund may receive proceeds from litigation settlements. Any proceeds received are included in the Statement of Operations as realized gain (loss) for investments no longer held and as unrealized gain (loss) for investments still held.

Brokerage commissions and mark ups are considered transaction costs and are recorded as an increase to the cost basis of securities purchased and/or a reduction of proceeds on a sale of securities. Such transaction costs are included in the determination of net realized and unrealized gain (loss) from investment securities reported in the Statement of Operations and the Statement of Changes in Net Assets and the net realized and unrealized gains (losses) on securities per share in the Financial Highlights. Transaction costs are included in the calculation of the Fund’s net asset value and, accordingly, they reduce the Fund’s total returns. These transaction costs are not considered operating expenses and are not reflected in net investment income reported in the Statement of Operations and Statement of Changes in Net Assets, or the net investment income per share and ratios of expenses and net investment income reported in the Financial Highlights, nor are they limited by any expense limitation arrangements between the Fund and the investment adviser.

The Fund allocates income and realized and unrealized capital gains and losses to a class based on the relative net assets of each class.

C. Country Determination — For the purposes of making investment selection decisions and presentation in the Schedule of Investments, the investment adviser may determine the country in which an issuer is located and/or credit risk exposure based on various factors. These factors include the laws of the country under which the issuer is organized, where the issuer maintains a principal office, the country in which the issuer derives 50% or more of its total revenues and the country that has the primary market for the issuer’s securities, as well as other criteria. Among the other criteria that may be evaluated for making this determination are the country in which the issuer maintains 50% or more of its assets, the type of security, financial guarantees and enhancements, the nature of the collateral and the sponsor organization. Country of issuer and/or credit risk exposure has been determined to be the United States of America, unless otherwise noted.

D. Distributions — Distributions from income and net realized capital gain, if any, are generally paid to separate accounts of participating insurance companies annually and recorded on ex-dividend date.

E. Federal Income Taxes — The Fund intends to comply with the requirements of Subchapter M of the Internal Revenue Code necessary to qualify as a regulated investment company and to distribute substantially all of the Fund’s taxable earnings to shareholders. As such, the Fund will not be subject to federal income taxes on otherwise taxable income (including net realized capital gain) that is distributed to shareholders. Therefore, no provision for federal income taxes is recorded in the financial statements.

The Fund files tax returns in the U.S. Federal jurisdiction and certain other jurisdictions. Generally, the Fund is subject to examinations by such taxing authorities for up to three years after the filing of the return for the tax period.

- F. Expenses** — Fees provided for under the Rule 12b-1 plan of a particular class of the Fund and which are directly attributable to that class are charged to the operations of such class. All other expenses are allocated among the classes based on relative net assets.
- G. Accounting Estimates** — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period including estimates and assumptions related to taxation. Actual results could differ from those estimates by a significant amount. In addition, the Fund monitors for material events or transactions that may occur or become known after the period-end date and before the date the financial statements are released to print.
- H. Indemnifications** — Under the Trust’s organizational documents, each Trustee, officer, employee or other agent of the Trust is indemnified against certain liabilities that may arise out of performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts, including the Fund’s servicing agreements that contain a variety of indemnification clauses. The Fund’s maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. The risk of material loss as a result of such indemnification claims is considered remote.
- I. Lower-Rated Securities** — The Fund normally invests at least 80% of its net assets in lower-quality debt securities, i.e., “junk bonds”. Investments in lower-rated securities or unrated securities of comparable quality tend to be more sensitive to economic conditions than higher rated securities. Junk bonds involve a greater risk of default by the issuer because such securities are generally unsecured and are often subordinated to other creditors’ claims.
- J. Securities Lending** — The Fund may lend portfolio securities having a market value up to one-third of the Fund’s total assets. Such loans are secured by collateral equal to no less than the market value of the loaned securities determined daily by the securities lending provider. Such collateral will be cash or debt securities issued or guaranteed by the U.S. Government or any of its sponsored agencies. Cash collateral received in connection with these loans is invested in short-term money market instruments or affiliated money market funds and is shown as such on the Schedule of Investments. It is the Fund’s policy to obtain additional collateral from or return excess collateral to the borrower by the end of the next business day, following the valuation date of the securities loaned. Therefore, the value of the collateral held may be temporarily less than the value of the securities on loan. Lending securities entails a risk of loss to the Fund if and to the extent that the market value of the securities loaned were to increase and the borrower did not increase the collateral accordingly, and the borrower fails to return the securities. Upon the failure of the borrower to return the securities, collateral may be liquidated and the securities may be purchased on the open market to replace the loaned securities. The Fund could experience delays and costs in gaining access to the collateral. The Fund bears the risk of any deficiency in the amount of the collateral available for return to the borrower due to any loss on the collateral invested. Dividends received on cash collateral investments for securities lending transactions, which are net of compensation to counterparties, is included in Dividends from affiliated money market funds on the Statement of Operations. The aggregate value of securities out on loan is shown as a footnote on the Statement of Assets and Liabilities, if any.
- K. Foreign Currency Translations** — Foreign currency is valued at the close of the NYSE based on quotations posted by banks and major currency dealers. Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at date of valuation. Purchases and sales of portfolio securities (net of foreign taxes withheld on disposition) and income items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. The Fund does not separately account for the portion of the results of operations resulting from changes in foreign exchange rates on investments and the fluctuations arising from changes in market prices of securities held. The combined results of changes in foreign exchange rates and the fluctuation of market prices on investments (net of estimated foreign tax withholding) are included with the net realized and unrealized gain or loss from investments in the Statement of Operations. Reported net realized foreign currency gains or losses arise from (1) sales of foreign currencies, (2) currency gains or losses realized between the trade and settlement dates on securities transactions, and (3) the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund’s books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign currency gains and losses arise from changes in the fair values of assets and liabilities, other than investments in securities at fiscal period end, resulting from changes in exchange rates.
- The Fund may invest in foreign securities which may be subject to foreign taxes on income, gains on investments or currency repatriation, a portion of which may be recoverable.
- L. Foreign Currency Contracts** — The Fund may enter into foreign currency contracts to manage or minimize currency or exchange rate risk. The Fund may also enter into foreign currency contracts for the purchase or sale of a security denominated in a foreign currency in order to “lock in” the U.S. dollar price of that security. A foreign currency contract is an obligation to purchase or sell a specific currency for an agreed-upon price at a future date. The use of foreign currency contracts does not eliminate fluctuations in the price of the underlying securities the Fund owns or intends to acquire but establishes a rate of exchange in advance. Fluctuations in the value of these contracts are measured by the difference in the contract date and reporting date exchange rates and are recorded as unrealized appreciation (depreciation) until the contracts are closed. When the contracts are closed, realized gains (losses) are recorded. Realized and unrealized gains (losses) on the contracts are included in the Statement of Operations. The primary risks associated with foreign currency contracts include failure of the counterparty to meet the terms of the contract and the value of the foreign currency changing unfavorably. These risks may be in excess of the amounts reflected in the Statement of Assets and Liabilities.
- M. Swap Agreements** — The Fund may enter into various swap transactions, including interest rate, total return, index, currency exchange rate and credit default swap contracts (“CDS”) for investment purposes or to manage interest rate, currency or credit risk.

Interest rate, total return, index, and currency exchange rate swap agreements are two-party contracts entered into primarily to exchange the returns (or differentials in rates of returns) earned or realized on particular predetermined investments or instruments. The gross returns to be exchanged or “swapped” between the parties are calculated with respect to a notional amount, i.e., the return on or increase in value of a particular dollar amount invested at a particular interest rate or return of an underlying asset, in a particular foreign currency, or in a “basket” of securities representing a particular index.

A CDS is an agreement between two parties (“Counterparties”) to exchange the credit risk of an issuer. A buyer of a CDS is said to buy protection by paying a fixed payment over the life of the agreement and in some situations an upfront payment to the seller of the CDS. If a defined credit event occurs (such as payment default or bankruptcy), the Fund as a protection buyer would cease paying its fixed payment, the Fund would deliver eligible bonds issued by the reference entity to the seller, and the seller would pay the full notional value, or the “par value”, of the referenced obligation to the Fund. A seller of a CDS is said to sell protection and thus would receive a fixed payment over the life of the agreement and an upfront payment, if applicable. If a credit event occurs, the Fund as a protection seller would cease to receive the fixed payment stream, the Fund would pay the buyer “par value” or the full notional value of the referenced obligation, and the Fund would receive the eligible bonds issued by the reference entity. In turn, these bonds may be sold in order to realize a recovery value. Alternatively, the seller of the CDS and its counterparty may agree to net the notional amount and the market value of the bonds and make a cash payment equal to the difference to the buyer of protection. If no credit event occurs, the Fund receives the fixed payment over the life of the agreement. As the seller, the Fund would effectively add leverage to its portfolio because, in addition to its total net assets, the Fund would be subject to investment exposure on the notional amount of the CDS. In connection with these agreements, cash and securities may be identified as collateral in accordance with the terms of the respective swap agreements to provide assets of value and recourse in the event of default under the swap agreement or bankruptcy/insolvency of a party to the swap agreement. If a counterparty becomes bankrupt or otherwise fails to perform its obligations due to financial difficulties, the Fund may experience significant delays in obtaining any recovery in a bankruptcy or other reorganization proceeding. The Fund may obtain only limited recovery or may obtain no recovery in such circumstances.

Implied credit spreads represent the current level at which protection could be bought or sold given the terms of the existing CDS contract and serve as an indicator of the current status of the payment/performance risk of the CDS. An implied spread that has widened or increased since entry into the initial contract may indicate a deteriorating credit profile and increased risk of default for the reference entity. A declining or narrowing spread may indicate an improving credit profile or decreased risk of default for the reference entity. Alternatively, credit spreads may increase or decrease reflecting the general tolerance for risk in the credit markets.

Changes in the value of swap agreements are recognized as unrealized gains (losses) in the Statement of Operations by “marking to market” on a daily basis to reflect the value of the swap agreement at the end of each trading day. Payments received or paid at the beginning of the agreement are reflected as such on the Statement of Assets and Liabilities and may be referred to as upfront payments. The Fund accrues for the fixed payment stream and amortizes upfront payments, if any, on swap agreements on a daily basis with the net amount, recorded as a component of realized gain (loss) on the Statement of Operations. A liquidation payment received or made at the termination of a swap agreement is recorded as realized gain (loss) on the Statement of Operations. The Fund segregates liquid securities having a value at least equal to the amount of the potential obligation of a Fund under any swap transaction. The Fund’s maximum risk of loss from counterparty risk, either as the protection seller or as the protection buyer, is the value of the contract. The risk may be mitigated by having a master netting arrangement between the Fund and the counterparty and by the posting of collateral by the counterparty to cover the Fund’s exposure to the counterparty. Entering into these agreements involves, to varying degrees, lack of liquidity and elements of credit, market, and counterparty risk in excess of amounts recognized on the Statement of Assets and Liabilities. Such risks involve the possibility that a swap is difficult to sell or liquidate; the counterparty does not honor its obligations under the agreement and unfavorable interest rates and market fluctuations.

NOTE 2—Advisory Fees and Other Fees Paid to Affiliates

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

Average Net Assets	Rate
First \$200 million	0.625%
Next \$300 million	0.55%
Next \$500 million	0.50%
Over \$1 billion	0.45%

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

Effective May 2, 2011, the Adviser has contractually agreed, through at least June 30, 2013, to waive advisory fees and/or reimburse expenses of all shares to the extent necessary to limit total annual fund operating expenses after fee waiver and/or expense reimbursement (excluding certain items discussed below) of Series I shares to 0.80% and Series II shares to 1.05% of average daily net assets. Prior to May 2, 2011, the Adviser had contractually agreed to waive advisory fees and/or reimburse expenses of all shares to the extent necessary to limit total annual fund operating expenses after fee waiver and/or expense reimbursement (excluding certain items discussed below) of Series I shares to 0.95% and Series II shares to 1.20% of average daily net assets. In determining the Adviser’s obligation to waive advisory fees and/or reimburse expenses, the following expenses are not taken into account, and could cause the total annual fund operating expenses after fee waiver and/or expense reimbursement to exceed the numbers reflected above: (1) interest; (2) taxes; (3) dividend expense on short sales; (4) extraordinary items or non-routine items, including litigation expenses; and (5) expenses that the Fund has incurred but did not actually pay because of an expense offset arrangement. Unless the Board of the Trustees and Invesco mutually agree to amend or continue the fee waiver agreement, it will terminate on June 30, 2013.

Further, the Adviser has contractually agreed, through at least June 30, 2012, to waive the advisory fee payable by the Fund in an amount equal to 100% of the net advisory fees the Adviser receives from the affiliated money market funds on investments by the Fund of uninvested cash (excluding investments of cash collateral from securities lending) in such affiliated money market funds.

For the year ended December 31, 2011, the Adviser waived advisory fees of \$191,950.

The Trust has entered into a master administrative services agreement with Invesco pursuant to which the Fund has agreed to pay Invesco a fee for costs incurred in providing accounting services and fund administrative services to the Fund and to reimburse Invesco for administrative services fees paid to insurance companies that have agreed to provide services to the participants of separate accounts. These administrative services provided by the insurance companies may include, among other things: the printing of prospectuses, financial reports and proxy statements and the delivery of the same to existing participants; the maintenance of master accounts; the facilitation of purchases and redemptions requested by the participants; and the servicing of participants' accounts. Pursuant to such agreement, for the year ended December 31, 2011, Invesco was paid \$50,000 for accounting and fund administrative services and reimbursed \$178,977 for services provided by insurance companies.

The Trust has entered into a transfer agency and service agreement with Invesco Investment Services, Inc. ("IIS") pursuant to which the Fund has agreed to pay IIS a fee for providing transfer agency and shareholder services to the Fund and reimburse IIS for certain expenses incurred by IIS in the course of providing such services. For the year ended December 31, 2011, expenses incurred under the agreement are shown in the Statement of Operations as transfer agent fees.

The Trust has entered into a master distribution agreement with Invesco Distributors, Inc. ("IDI") to serve as the distributor for the Fund. The Trust has adopted a plan pursuant to Rule 12b-1 under the 1940 Act with respect to the Fund's Series II shares (the "Plan"). The Fund, pursuant to the Plan, pays IDI compensation at the annual rate of 0.25% of the Fund's average daily net assets of Series II shares. Of the Plan payments, up to 0.25% of the average daily net assets of the Series II shares may be paid to insurance companies who furnish continuing personal shareholder services to customers who purchase and own Series II shares of the Fund. For the year ended December 31, 2011, expenses incurred under the Plan are detailed in the Statement of Operations as distribution fees.

Certain officers and trustees of the Trust are officers and directors of the Adviser, Invesco Ltd., IIS and/or IDI.

NOTE 3—Additional Valuation Information

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under current market conditions. GAAP establishes a hierarchy that prioritizes the inputs to valuation methods giving the highest priority to readily available unadjusted quoted prices in an active market for identical assets (Level 1) and the lowest priority to significant unobservable inputs (Level 3) generally when market prices are not readily available or are unreliable. Based on the valuation inputs, the securities or other investments are tiered into one of three levels. Changes in valuation methods may result in transfers in or out of an investment's assigned level:

Level 1 — Prices are determined using quoted prices in an active market for identical assets.

Level 2 — Prices are determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, yield curves, loss severities, default rates, discount rates, volatilities and others.

Level 3 — Prices are determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Fund's own assumptions about the factors market participants would use in determining fair value of the securities or instruments and would be based on the best available information.

The following is a summary of the tiered valuation input levels, as of December 31, 2011. The level assigned to the securities valuations may not be an indication of the risk or liquidity associated with investing in those securities. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

During the year ended December 31, 2011, there were no significant transfers between investment levels.

	Level 1	Level 2	Level 3	Total
Equity Securities	\$14,642,636	\$ 644,664	\$ 0	\$ 15,287,300
U.S. Treasury Securities	—	629,894	—	629,894
Corporate Debt Securities	—	83,337,836	9,950	83,347,786
Foreign Corporate Debt Securities	—	8,298,874	—	8,298,874
	\$14,642,636	\$92,911,268	\$9,950	\$107,563,854
Foreign Currency Contracts*	—	476,920	—	476,920
Swap Agreements*	—	17,439	—	17,439
Total Investments	\$14,642,636	\$93,405,627	\$9,950	\$108,058,213

* Unrealized appreciation.

NOTE 4—Derivative Investments

Value of Derivative Instruments at Period-End

The table below summarizes the value of the Fund's derivative instruments, detailed by primary risk exposure, held as of December 31, 2011:

Risk Exposure/Derivative Type	Value	
	Assets	Liabilities
Credit risk		
Swap agreements ^(a)	\$ 17,439	\$—
Currency risk		
Foreign currency contracts ^(b)	512,358	—
	\$529,797	\$—

(a) Value is disclosed on the Statement of Assets and Liabilities as Unrealized appreciation on swap agreements.

(b) Value is disclosed on the Statement of Assets and Liabilities as Foreign currency contracts.

Effect of Derivative Instruments for the year ended December 31, 2011

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

	Location of Gain (Loss) on Statement of Operations	
	Swap Agreements*	Foreign Currency Contracts*
Realized Gain (Loss)		
Credit risk	\$ 6,312	\$ —
Currency risk	—	27,134
Change in Unrealized Appreciation		
Credit risk	17,439	—
Currency risk	—	536,238
Total	\$23,751	\$563,372

* The average notional value of swap agreements and foreign currency contracts outstanding during the period was \$1,406,667 and \$8,450,691, respectively.

Open Foreign Currency Contracts

Settlement Date	Counterparty	Contract to		Notional Value	Unrealized Appreciation
		Deliver	Receive		
02/09/12	RBC Dain Rauscher	EUR 5,527,000	USD 7,609,132	\$7,156,142	\$452,990
02/17/12	Morgan Stanley	GBP 777,000	USD 1,230,363	1,206,433	23,930
Total open foreign currency contracts				\$8,362,575	\$476,920

Closed Foreign Currency Contracts

Closed Date	Counterparty	Contract to		Notional Value	Realized Gain
		Deliver	Receive		
11/21/11	RBC Dain Rauscher	EUR 207,000	USD 284,981	\$ 280,322	\$ 4,659
11/25/11	RBC Dain Rauscher	EUR 155,000	USD 213,392	206,118	7,274
11/29/11	RBC Dain Rauscher	EUR 141,000	USD 194,117	187,987	6,130
12/15/11	RBC Dain Rauscher	EUR 79,000	USD 108,761	102,720	6,041
12/22/11	Morgan Stanley	GBP 22,000	USD 34,837	34,475	362
12/22/11	RBC Dain Rauscher	EUR 157,000	USD 216,145	205,173	10,972
Total closed foreign currency contracts				\$1,016,795	\$ 35,438
Total foreign currency contracts					\$512,358

Currency Abbreviations:

EUR – Euro

GBP – British Pound Sterling

USD – U.S. Dollar

Open Credit Default Swap Agreements

Counterparty	Reference Entity	Buy/Sell Protection	(Pay)/Receive Fixed Rate	Expiration Date	Implied Credit Spread ^(a)	Notional Amount (000)	Value Unrealized Appreciation (Depreciation)
JPMorgan Chase Bank	CDX North American High Yield	Sell	5.00%	12/20/2016	6.80%	4,900	\$19,664 ^(b)
JPMorgan Chase Bank	CDX North American High Yield	Sell	5.00%	12/20/2016	6.80%	980	(2,225) ^(b)
Total Credit Default Swap Agreements							\$17,439

^(a) Implied credit spreads represent the current level at which protection could be bought or sold given the terms of the existing credit default swap contract and serve as an indicator of the current status of the payment/performance risk of the credit default swap contract. An implied credit spread that has widened or increased since entry into the initial contract may indicate a deteriorating credit profile and increased risk of default for the reference entity. A declining or narrowing spread may indicate an improving credit profile or decreased risk of default for the reference entity. Alternatively, credit spreads may increase or decrease reflecting the general tolerance for risk in the credit markets generally.

^(b) Includes unamortized premium at period-end of \$421,916.

NOTE 5—Trustees’ and Officers’ Fees and Benefits

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

During the year ended December 31, 2011, the Fund paid legal fees of \$1,200 for services rendered by Kramer, Levin, Naftalis & Frankel LLP as counsel to the Independent Trustees. A partner of that firm is a Trustee of the Trust.

NOTE 6—Cash Balances

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

NOTE 7—Distributions to Shareholders and Tax Components of Net Assets

Tax Character of Distributions to Shareholders Paid During the Years Ended December 31, 2011 and 2010:

	2011	2010
Ordinary income	\$4,275,733	\$5,322,863

Tax Components of Net Assets at Period-End:

	2011
Undistributed ordinary income	\$ 5,538,695
Net unrealized appreciation (depreciation) — investments	(4,335,103)
Net unrealized appreciation — other investments	7,145
Temporary book/tax differences	(45,146)
Capital loss carryforward	(11,184,827)
Shares of beneficial interest	121,938,972
Total net assets	\$111,919,736

The difference between book-basis and tax-basis unrealized appreciation (depreciation) is due to differences in the timing of recognition of gains and losses on investments for tax and book purposes. The Fund's net unrealized appreciation (depreciation) difference is attributable primarily to wash sales.

The temporary book/tax differences are a result of timing differences between book and tax recognition of income and/or expenses. The Fund's temporary book/tax differences are the result of the trustee deferral of compensation and retirement plan benefits.

Capital loss carryforward is calculated and reported as of a specific date. Results of transactions and other activity after that date may affect the amount of capital loss carryforward actually available for the Fund to utilize. The Regulated Investment Company Modernization Act of 2010 (the "Act") eliminated the eight-year carryover period for capital losses that arise in taxable years beginning after its enactment date of December 22, 2010. Consequently, these capital losses can be carried forward for an unlimited period. However, capital losses with an expiration period may not be used to offset capital gains until all net capital losses without an expiration date have been utilized. Additionally, post-enactment capital loss carryovers will retain their character as either short-term or long-term capital losses instead of as short-term capital losses as under prior law. The ability to utilize capital loss carryforward in the future may be limited under the Internal Revenue Code and related regulations based on the results of future transactions. Under these limitation rules, the Fund is limited to utilizing \$3,605,428 of capital loss carryforward in the fiscal year ending December 31, 2012.

The Fund utilized \$2,269,937 of capital loss carryforward in the current period to offset net realized capital gain for federal income tax purposes. The Fund has a capital loss carryforward as of December 31, 2011, which expires as follows:

Capital Loss Carryforward

Expiration	Short-Term	Long-Term	Total
December 31, 2015	\$ 329,831	\$—	\$ 329,831
December 31, 2016	9,020,578	—	9,020,578
December 31, 2017	1,834,418	—	1,834,418
Total capital loss carryforward	\$11,184,827	\$—	\$11,184,827

* Capital loss carryforward as of the date listed above is reduced for limitations, if any, to the extent required by the Internal Revenue Code.

NOTE 8—Investment Securities

The aggregate amount of investment securities (other than short-term securities, U.S. Treasury obligations and money market funds, if any) purchased and sold by the Fund during the year ended December 31, 2011 was \$67,945,216 and \$44,444,414, respectively. Cost of investments on a tax basis includes the adjustments for financial reporting purposes as of the most recently completed Federal income tax reporting period-end.

Unrealized Appreciation (Depreciation) of Investment Securities on a Tax Basis

Aggregate unrealized appreciation of investment securities	\$ 2,271,515
Aggregate unrealized (depreciation) of investment securities	(6,606,618)
Net unrealized appreciation (depreciation) of investment securities	\$(4,335,103)

Cost of investments for tax purposes is \$111,898,957.

NOTE 9—Reclassification of Permanent Differences

Primarily as a result of differing book/tax treatment of capital loss carryforward, on December 31, 2011, undistributed net investment income was decreased by \$21,452, undistributed net realized gain was increased by \$2,340,736 and shares of beneficial interest decreased by \$2,319,284. Further, as a result of tax deferrals acquired in the reorganization of Invesco Van Kampen V.I. High Yield Fund into the Fund, undistributed net investment income was decreased by \$4,033, undistributed net realized gain was decreased by \$10,506,909 and shares of beneficial interest increased by \$10,510,942. These reclassifications had no effect on the net assets of the Fund.

NOTE 10—Share Information

	Summary of Share Activity			
	Year ended December 31,			
	2011^(a)		2010	
	Shares	Amount	Shares	Amount
Sold:				
Series I	11,649,443	\$ 59,272,659	4,999,888	\$ 26,982,826
Series II	1,343,316	6,766,855	16,305	86,476
Issued as reinvestment of dividends:				
Series I	814,841	4,229,022	1,018,199	5,284,452
Series II	9,000	46,711	7,401	38,411
Issued in connection with acquisitions: ^(b)				
Series I	6,239,174	32,616,526	—	—
Series II	1,983	10,369	—	—
Reacquired:				
Series I	(7,984,170)	(40,837,082)	(7,205,545)	(38,790,689)
Series II	(381,629)	(1,912,375)	(19,746)	(107,228)
Net increase (decrease) in share activity	11,691,958	\$ 60,192,685	(1,183,498)	\$ (6,505,752)

(a) There are entities that are record owners of more than 5% of the outstanding shares of the Fund and in the aggregate own 62% of the outstanding shares of the Fund. The Fund and the Fund's principal underwriter or adviser, are parties to participation agreements with these entities whereby these entities sell units of interest in separate accounts funding variable products that are invested in the Fund. The Fund, Invesco and/or Invesco affiliates may make payments to these entities, which are considered to be related to the Fund, for providing services to the Fund, Invesco and/or Invesco affiliates including but not limited to services such as, securities brokerage, third party record keeping and account servicing and administrative services. The Fund has no knowledge as to whether all or any portion of the shares owned of record by these entities are also owned beneficially.

(b) As of the opening of business on May 2, 2011, the Fund acquired all the net assets of Invesco Van Kampen V.I. High Yield Fund (the "Target Fund") pursuant to a plan of reorganization approved by the Trustees of the Fund on November 10, 2010 and by the shareholders of the Target Fund on April 1, 2011. The acquisition was accomplished by a tax-free exchange of 6,241,157 shares of the Fund for 2,940,652 shares outstanding of the Target Fund as of the close of business on April 29, 2011. Each class of the Target Fund was exchanged for the like class of shares of the Fund, based on the relative net asset value of the Target Fund to the net asset value of the Fund on the close of business, April 29, 2011. The Target Fund's net assets at that date of \$32,626,895 including \$1,685,415 of unrealized appreciation, was combined with those of the Fund. The net assets of the Fund immediately before the acquisition were \$63,972,559. The net assets immediately after the acquisition were \$96,599,454.

The pro forma results of operations for the year ended December 31, 2011 assuming the reorganization had been completed on January 1, 2011, the beginning of the annual reporting period, are as follows:

Net investment income	\$ 6,329,832
Net realized/unrealized gains (losses)	<u>(4,990,283)</u>
Change in net assets resulting from operations	\$ 1,339,549

The combined investment portfolios have been managed as a single integrated portfolio since the acquisition was completed, it is not practicable to separate the amounts of revenue and earnings of the Target Fund that has been included in the Fund's Statement of Operations since May 2, 2011.

NOTE 11—Financial Highlights

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

	Net asset value, beginning of period	Net investment income ^(a)	Net gains (losses) on securities (both realized and unrealized)	Total from investment operations	Dividends from net investment income	Net asset value, end of period	Total Return ^(b)	Net assets, end of period (000s omitted)	Ratio of expenses to average net assets with fee waivers and/or expenses absorbed	Ratio of expenses to average net assets without fee waivers and/or expenses absorbed	Ratio of net investment income to average net assets	Portfolio turnover ^(c)
Series I												
Year ended 12/31/11	\$5.35	\$0.35	\$(0.29)	\$ 0.06	\$(0.37)	\$5.04	0.96%	\$106,557	0.83% ^(d)	1.06% ^(d)	6.84% ^(d)	71%
Year ended 12/31/10	5.22	0.43	0.26	0.69	(0.56)	5.35	13.57	55,803	0.95	1.17	8.04	102
Year ended 12/31/09	3.69	0.47	1.47	1.94	(0.41)	5.22	52.79	60,649	0.95	1.22	10.29	125
Year ended 12/31/08	5.74	0.49	(2.00)	(1.51)	(0.54)	3.69	(25.69)	39,918	0.95	1.22	9.19	85
Year ended 12/31/07	6.12	0.46	(0.38)	0.08	(0.46)	5.74	1.24	51,225	0.96	1.15	7.42	113
Series II												
Year ended 12/31/11	5.35	0.33	(0.29)	0.04	(0.36)	5.03	0.61	5,363	1.08 ^(d)	1.31 ^(d)	6.59 ^(d)	71
Year ended 12/31/10	5.22	0.42	0.26	0.68	(0.55)	5.35	13.27	497	1.20	1.42	7.79	102
Year ended 12/31/09	3.68	0.46	1.48	1.94	(0.40)	5.22	52.77	464	1.20	1.47	10.04	125
Year ended 12/31/08	5.72	0.47	(1.99)	(1.52)	(0.52)	3.68	(26.00)	374	1.20	1.47	8.94	85
Year ended 12/31/07	6.09	0.44	(0.38)	0.06	(0.43)	5.72	1.01	666	1.21	1.40	7.17	113

^(a) Calculated using average shares outstanding.

^(b) Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Total returns are not annualized for periods less than one year, if applicable and do not reflect charges assessed in connection with a variable product, which if included would reduce total returns.

^(c) Portfolio turnover is calculated at the fund level and is not annualized for periods less than one year, if applicable. For the period ending December 31, 2011, the portfolio turnover calculation excludes the value of securities purchased of \$30,901,742 and sold of \$8,109,618 in effect to realign the Fund's portfolio holdings after the reorganization of Invesco Van Kampen VI. High Yield Fund into the Fund.

^(d) Ratios are based on average daily net assets (000's) of \$79,770 and \$2,159 for Series I and Series II, respectively.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of AIM Variable Insurance Funds (Invesco Variable Insurance Funds)
and Shareholders of Invesco V.I. High Yield Fund:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Invesco V.I. High Yield Fund (one of the funds constituting AIM Variable Insurance Funds (Invesco Variable Insurance Funds), hereafter referred to as the "Fund") at December 31, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2011 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PRICEWATERHOUSECOOPERS LLP

February 17, 2012
Houston, Texas

Calculating your ongoing Fund expenses

Example

As a shareholder of the Fund, you incur ongoing costs, including management fees; distribution and/or service fees (12b-1); and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with ongoing costs of investing in other mutual funds. The example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period July 1, 2011 through December 31, 2011.

The actual and hypothetical expenses in the examples below do not represent the effect of any fees or other expenses assessed in connection with a variable product; if they did, the expenses shown would be higher while the ending account values shown would be lower.

Actual expenses

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

Hypothetical example for comparison purposes

The table below also provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return.

The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs. Therefore, the hypothetical information is useful in comparing ongoing costs, and will not help you determine the relative total costs of owning different funds.

Class	Beginning Account Value (07/01/11)	ACTUAL		HYPOTHETICAL (5% annual return before expenses)		Annualized Expense Ratio
		Ending Account Value (12/31/11) ¹	Expenses Paid During Period ²	Ending Account Value (12/31/11)	Expenses Paid During Period ²	
Series I	\$1,000.00	\$976.70	\$3.94	\$1,021.22	\$4.02	0.79%
Series II	1,000.00	974.80	5.18	1,019.96	5.30	1.04

¹ The actual ending account value is based on the actual total return of the Fund for the period July 1, 2011 through December 31, 2011, after actual expenses and will differ from the hypothetical ending account value which is based on the Fund's expense ratio and a hypothetical annual return of 5% before expenses.

² Expenses are equal to the Fund's annualized expense ratio as indicated above multiplied by the average account value over the period, multiplied by 184/365 to reflect the most recent fiscal half year.

Tax Information

Form 1099-DIV, Form 1042-S and other year-end tax information provide shareholders with actual calendar year amounts that should be included in their tax returns. Shareholders should consult their tax advisors.

The following distribution information is being provided as required by the Internal Revenue Code or to meet a specific state's requirement.

The Fund designates the following amounts or, if subsequently determined to be different, the maximum amount allowable for its fiscal year ended December 31, 2011:

Federal and State Income Tax

Corporate Dividends Received Deduction*	0.00%
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* The above percentages are based on ordinary income dividends paid to shareholders during the Fund's fiscal year.

Trustees and Officers

The address of each trustee and officer is AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the “Trust”), 11 Greenway Plaza, Suite 2500, Houston, Texas 77046-1173. The trustees serve for the life of the Trust, subject to their earlier death, incapacitation, resignation, retirement or removal as more specifically provided in the Trust’s organizational documents. Each officer serves for a one year term or until their successors are elected and qualified. Column two below includes length of time served with predecessor entities, if any.

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee
Interested Persons				
Martin L. Flanagan ¹ — 1960 Trustee	2007	Executive Director, Chief Executive Officer and President, Invesco Ltd. (ultimate parent of Invesco and a global investment management firm); Advisor to the Board, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.); Trustee, The Invesco Funds; Vice Chair, Investment Company Institute; and Member of Executive Board, SMU Cox School of Business Formerly: Chairman, Invesco Advisers, Inc. (registered investment adviser); Director, Chairman, Chief Executive Officer and President, IVZ Inc. (holding company), INVESCO Group Services, Inc. (service provider) and Invesco North American Holdings, Inc. (holding company); Director, Chief Executive Officer and President, Invesco Holding Company Limited (parent of Invesco and a global investment management firm); Director, Invesco Ltd.; Chairman, Investment Company Institute and President, Co-Chief Executive Officer, Co-President, Chief Operating Officer and Chief Financial Officer, Franklin Resources, Inc. (global investment management organization)	140	None
Philip A. Taylor ² — 1954 Trustee, President and Principal Executive Officer	2006	Head of North American Retail and Senior Managing Director, Invesco Ltd.; Director, Co-Chairman, Co-President and Co-Chief Executive Officer, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Director, Chairman, Chief Executive Officer and President, Invesco Management Group, Inc. (formerly Invesco Aim Management Group, Inc.) (financial services holding company); Director and President, INVESCO Funds Group, Inc. (registered investment adviser and registered transfer agent); Director and Chairman, Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.) (registered transfer agent) and IVZ Distributors, Inc. (formerly known as INVESCO Distributors, Inc.) (registered broker dealer); Director, President and Chairman, Invesco Inc. (holding company) and Invesco Canada Holdings Inc. (holding company); Chief Executive Officer, Invesco Corporate Class Inc. (corporate mutual fund company) and Invesco Canada Fund Inc. (corporate mutual fund company); Director, Chairman and Chief Executive Officer, Invesco Canada Ltd. (formerly known as Invesco Trimark Ltd./Invesco Trimark Ltée) (registered investment adviser and registered transfer agent); Trustee, President and Principal Executive Officer, The Invesco Funds (other than AIM Treasurer’s Series Trust (Invesco Treasurer’s Series Trust) and Short-Term Investments Trust); Trustee and Executive Vice President, The Invesco Funds (AIM Treasurer’s Series Trust (Invesco Treasurer’s Series Trust) and Short-Term Investments Trust only); Director, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management); Director, Chief Executive Officer and President, Van Kampen Exchange Corp. Formerly: Director and Chairman, Van Kampen Investor Services Inc.; Director, Chief Executive Officer and President, 1371 Preferred Inc. (holding company); and Van Kampen Investments Inc.; Director and President, AIM GP Canada Inc. (general partner for limited partnerships); and Van Kampen Advisors, Inc.; Director and Chief Executive Officer, Invesco Trimark Dealer Inc. (registered broker dealer); Director, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.) (registered broker dealer); Manager, Invesco PowerShares Capital Management LLC; Director, Chief Executive Officer and President, Invesco Advisers, Inc.; Director, Chairman, Chief Executive Officer and President, Invesco Aim Capital Management, Inc.; President, Invesco Trimark Dealer Inc. and Invesco Trimark Ltd./Invesco Trimark Ltée; Director and President, AIM Trimark Corporate Class Inc. and AIM Trimark Canada Fund Inc.; Senior Managing Director, Invesco Holding Company Limited; Trustee and Executive Vice President, Tax-Free Investments Trust; Director and Chairman, Fund Management Company (former registered broker dealer); President and Principal Executive Officer, The Invesco Funds (AIM Treasurer’s Series Trust (Invesco Treasurer’s Series Trust), Short-Term Investments Trust and Tax-Free Investments Trust only); President, AIM Trimark Global Fund Inc. and AIM Trimark Canada Fund Inc.	140	None
Wayne W. Whalen ³ — 1939 Trustee	2010	Of Counsel, and prior to 2010, partner in the law firm of Skadden, Arps, Slate, Meagher & Flom LLP, legal counsel to funds in the Fund Complex	158	Director of the Abraham Lincoln Presidential Library Foundation
Independent Trustees				
Bruce L. Crockett — 1944 Trustee and Chair	1993	Chairman, Crockett Technology Associates (technology consulting company) Formerly: Director, Captaris (unified messaging provider); Director, President and Chief Executive Officer COMSAT Corporation; and Chairman, Board of Governors of INTELSAT (international communications company)	140	ACE Limited (insurance company); and Investment Company Institute

¹ Mr. Flanagan is considered an interested person of the Trust because he is an officer of the adviser to the Trust, and an officer and a director of Invesco Ltd., ultimate parent of the adviser to the Trust.

² Mr. Taylor is considered an interested person of the Trust because he is an officer and a director of the adviser to, and a director of the principal underwriter of, the Trust.

³ Mr. Whalen is considered an “interested person” (within the meaning of Section 2(a)(19) of the 1940 Act) of certain Funds in the Fund Complex by reason of he and his firm currently providing legal services as legal counsel to such Funds in the Fund Complex.

Trustees and Officers—(continued)

The address of each trustee and officer is AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"), 11 Greenway Plaza, Suite 2500, Houston, Texas 77046-1173. The trustees serve for the life of the Trust, subject to their earlier death, incapacitation, resignation, retirement or removal as more specifically provided in the Trust's organizational documents. Each officer serves for a one year term or until their successors are elected and qualified. Column two below includes length of time served with predecessor entities, if any.

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee
Independent Trustees—(continued)				
David C. Arch — 1945 Trustee	2010	Chairman and Chief Executive Officer of Blistex Inc., a consumer health care products manufacturer.	158	Member of the Heartland Alliance Advisory Board, a nonprofit organization serving human needs based in Chicago. Board member of the Illinois Manufacturers' Association. Member of the Board of Visitors, Institute for the Humanities, University of Michigan
Frank S. Bayley — 1939 Trustee	2001	Retired Formerly: Director, Badgley Funds, Inc. (registered investment company) (2 portfolios) and Partner, law firm of Baker & McKenzie Formerly: Director, Badgley Funds, Inc. (registered investment company) (2 portfolios) and Partner, law firm of Baker & McKenzie	140	Director and Chairman, C.D. Stimson Company (a real estate investment company)
James T. Bunch — 1942 Trustee	2004	Managing Member, Grumman Hill Group LLC (family office private equity management) Formerly: Founder, Green, Manning & Bunch Ltd. (investment banking firm) (1988-2010); Executive Committee, United States Golf Association; and Director, Policy Studies, Inc. and Van Gilder Insurance Corporation	140	Vice Chairman, Board of Governors, Western Golf Association/Evans Scholars Foundation and Director, Denver Film Society
Rodney F. Dammeyer — 1940 Trustee	2010	President of CAC, LLC, a private company offering capital investment and management advisory services. Formerly: Prior to January 2004, Director of TeleTech Holdings Inc.; Prior to 2002, Director of Arris Group, Inc.; Prior to 2001, Managing Partner at Equity Group Corporate Investments. Prior to 1995, Vice Chairman of Anixter International. Prior to 1985, experience includes Senior Vice President and Chief Financial Officer of Household International, Inc., Executive Vice President and Chief Financial Officer of Northwest Industries, Inc. and Partner of Arthur Andersen & Co.	158	Director of Quidel Corporation and Stericycle, Inc. Prior to May 2008, Trustee of The Scripps Research Institute. Prior to February 2008, Director of Ventana Medical Systems, Inc. Prior to April 2007, Director of GATX Corporation. Prior to April 2004, Director of TheraSense, Inc.
Albert R. Dowden — 1941 Trustee	2000	Director of a number of public and private business corporations, including the Boss Group, Ltd. (private investment and management); Reich & Tang Funds (5 portfolios) (registered investment company); and Homeowners of America Holding Corporation/ Homeowners of America Insurance Company (property casualty company) Formerly: Director, Continental Energy Services, LLC (oil and gas pipeline service); Director, CompuDyne Corporation (provider of product and services to the public security market) and Director, Annuity and Life Re (Holdings), Ltd. (reinsurance company); Director, President and Chief Executive Officer, Volvo Group North America, Inc.; Senior Vice President, AB Volvo; Director of various public and private corporations; Chairman, DHJ Media, Inc.; Director Magellan Insurance Company; and Director, The Hertz Corporation, Genmar Corporation (boat manufacturer), National Media Corporation; Advisory Board of Rotary Power International (designer, manufacturer, and seller of rotary power engines); and Chairman, Cortland Trust, Inc. (registered investment company)	140	Board of Nature's Sunshine Products, Inc.
Jack M. Fields — 1952 Trustee	1997	Chief Executive Officer, Twenty First Century Group, Inc. (government affairs company); and Owner and Chief Executive Officer, Dos Angelos Ranch, L.P. (cattle, hunting, corporate entertainment), Discovery Global Education Fund (non-profit) and Cross Timbers Quail Research Ranch (non-profit) Formerly: Chief Executive Officer, Texana Timber LP (sustainable forestry company) and member of the U.S. House of Representatives	140	Administaff
Carl Frischling — 1937 Trustee	1993	Partner, law firm of Kramer Levin Naftalis and Frankel LLP	140	Director, Reich & Tang Funds (16 portfolios)

Trustees and Officers—(continued)

The address of each trustee and officer is AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"), 11 Greenway Plaza, Suite 2500, Houston, Texas 77046-1173. The trustees serve for the life of the Trust, subject to their earlier death, incapacitation, resignation, retirement or removal as more specifically provided in the Trust's organizational documents. Each officer serves for a one year term or until their successors are elected and qualified. Column two below includes length of time served with predecessor entities, if any.

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee
Independent Trustees—(continued)				
Prema Mathai-Davis — 1950 Trustee	1998	Retired Formerly: Chief Executive Officer, YWCA of the U.S.A.	140	None
Larry Soll — 1942 Trustee	2004	Retired Formerly, Chairman, Chief Executive Officer and President, Synergen Corp. (a biotechnology company)	140	None
Hugo F. Sonnenschein — 1940 Trustee	2010	President Emeritus and Honorary Trustee of the University of Chicago and the Adam Smith Distinguished Service Professor in the Department of Economics at the University of Chicago. Prior to July 2000, President of the University of Chicago.	158	Trustee of the University of Rochester and a member of its investment committee. Member of the National Academy of Sciences, the American Philosophical Society and a fellow of the American Academy of Arts and Sciences
Raymond Stickel, Jr. — 1944 Trustee	2005	Retired Formerly: Director, Mainstay VP Series Funds, Inc. (25 portfolios) and Partner, Deloitte & Touche	140	None
Other Officers				
Russell C. Burk — 1958 Senior Vice President and Senior Officer	2005	Senior Vice President and Senior Officer, The Invesco Funds	N/A	N/A
John M. Zerr — 1962 Senior Vice President, Chief Legal Officer and Secretary	2006	Director, Senior Vice President, Secretary and General Counsel, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.) and Van Kampen Exchange Corp.; Senior Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Senior Vice President and Secretary, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.); Director, Vice President and Secretary, Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.) and IVZ Distributors, Inc. (formerly known as INVESCO Distributors, Inc.); Director and Vice President, INVESCO Funds Group, Inc.; Senior Vice President, Chief Legal Officer and Secretary, The Invesco Funds; Manager, Invesco PowerShares Capital Management LLC; Director, Secretary and General Counsel, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management); Secretary and General Counsel, Van Kampen Funds Inc. and Chief Legal Officer, PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust Formerly: Director and Secretary, Van Kampen Advisors Inc.; Director Vice President, Secretary and General Counsel Van Kampen Investor Services Inc.; Director, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.); Director, Senior Vice President, General Counsel and Secretary, Invesco Advisers, Inc.; and Van Kampen Investments Inc.; Director, Vice President and Secretary, Fund Management Company; Director, Senior Vice President, Secretary, General Counsel and Vice President, Invesco Aim Capital Management, Inc.; Chief Operating Officer and General Counsel, Liberty Ridge Capital, Inc. (an investment adviser); Vice President and Secretary, PBHG Funds (an investment company) and PBHG Insurance Series Fund (an investment company); Chief Operating Officer, General Counsel and Secretary, Old Mutual Investment Partners (a broker-dealer); General Counsel and Secretary, Old Mutual Fund Services (an administrator) and Old Mutual Shareholder Services (a shareholder servicing center); Executive Vice President, General Counsel and Secretary, Old Mutual Capital, Inc. (an investment adviser); and Vice President and Secretary, Old Mutual Advisors Funds (an investment company)	N/A	N/A
Lisa O. Brinkley — 1959 Vice President	2004	Global Compliance Director, Invesco Ltd.; Chief Compliance Officer, Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.); and Vice President, The Invesco Funds Formerly: Chief Compliance Officer, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.) and Van Kampen Investor Services Inc.; Senior Vice President, Invesco Management Group, Inc.; Senior Vice President and Chief Compliance Officer, Invesco Advisers, Inc. and The Invesco Funds; Vice President and Chief Compliance Officer, Invesco Aim Capital Management, Inc. and Invesco Distributors, Inc.; Vice President, Invesco Investment Services, Inc. and Fund Management Company	N/A	N/A

Trustees and Officers—(continued)

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Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee
Other Officers—(continued)				
Sheri Morris — 1964 Vice President, Treasurer and Principal Financial Officer	1999	Vice President, Treasurer and Principal Financial Officer, The Invesco Funds; Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser). Formerly: Treasurer, PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust, Vice President, Invesco Advisers, Inc., Invesco Aim Capital Management, Inc. and Invesco Aim Private Asset Management, Inc.; Assistant Vice President and Assistant Treasurer, The Invesco Funds and Assistant Vice President, Invesco Advisers, Inc., Invesco Aim Capital Management, Inc. and Invesco Aim Private Asset Management, Inc.	N/A	N/A
Karen Dunn Kelley — 1960 Vice President	1993	Head of Invesco’s World Wide Fixed Income and Cash Management Group; Senior Vice President, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.) and Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Executive Vice President, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.); Director, Invesco Mortgage Capital Inc.; Vice President, The Invesco Funds (other than AIM Treasurer’s Series Trust (Invesco Treasurer’s Series Trust) and Short-Term Investments Trust); and President and Principal Executive Officer, The Invesco Funds (AIM Treasurer’s Series Trust (Invesco Treasurer’s Series Trust) and Short-Term Investments Trust only). Formerly: Senior Vice President, Van Kampen Investments Inc.; Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.); Director of Cash Management and Senior Vice President, Invesco Advisers, Inc. and Invesco Aim Capital Management, Inc.; President and Principal Executive Officer, Tax-Free Investments Trust; Director and President, Fund Management Company; Chief Cash Management Officer, Director of Cash Management, Senior Vice President, and Managing Director, Invesco Aim Capital Management, Inc.; Director of Cash Management, Senior Vice President, and Vice President, Invesco Advisers, Inc. and The Invesco Funds (AIM Treasurer’s Series Trust (Invesco Treasurer’s Series Trust), Short-Term Investments Trust and Tax-Free Investments Trust only)	N/A	N/A
Yinka Akinsola — 1977 Anti-Money Laundering Compliance Officer	2011	Anti-Money Laundering Compliance Officer, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.), Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.), Invesco Management Group, Inc., The Invesco Funds, Invesco Van Kampen Closed-End Funds, Van Kampen Exchange Corp. and Van Kampen Funds Inc.	N/A	N/A
Todd L. Spillane — 1958 Chief Compliance Officer	2006	Senior Vice President, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.) and Van Kampen Exchange Corp.; Senior Vice President and Chief Compliance Officer, Invesco Advisers, Inc. (registered investment adviser) (formerly known as Invesco Institutional (N.A.), Inc.); Chief Compliance Officer, The Invesco Funds, INVESCO Private Capital Investments, Inc. (holding company) and Invesco Private Capital, Inc. (registered investment adviser); Vice President, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.) and Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.). Formerly: Chief Compliance Officer, Invesco Van Kampen Closed-End Funds PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust, and PowerShares Actively Managed Exchange-Traded Fund Trust; Senior Vice President, Van Kampen Investments Inc.; Senior Vice President and Chief Compliance Officer, Invesco Advisers, Inc. and Invesco Aim Capital Management, Inc.; Chief Compliance Officer, Invesco Global Asset Management (N.A.), Inc., Invesco Senior Secured Management, Inc. (registered investment adviser) and Van Kampen Investor Services Inc.; Vice President, Invesco Aim Capital Management, Inc. and Fund Management Company	N/A	N/A

The Statement of Additional Information of the Trust includes additional information about the Fund’s Trustees and is available upon request, without charge, by calling 1.800.959.4246. Please refer to the Fund’s prospectus for information on the Fund’s sub-advisers.

Office of the Fund

11 Greenway Plaza, Suite 2500
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Counsel to the Fund

Stradley Ronon Stevens & Young, LLP
2600 One Commerce Square
Philadelphia, PA 19103

Investment Adviser

Invesco Advisers, Inc.
1555 Peachtree Street, N.E.
Atlanta, GA 30309

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