



## VP Value Fund



## Table of Contents

|   |    |
|---|----|
| Performance . . . . .                         | 2  |
| Fund Characteristics . . . . .                | 3  |
| Shareholder Fee Example . . . . .             | 4  |
| Schedule of Investments . . . . .             | 5  |
| Statement of Assets and Liabilities . . . . . | 8  |
| Statement of Operations . . . . .             | 9  |
| Statement of Changes in Net Assets . . . . .  | 10 |
| Notes to Financial Statements . . . . .       | 11 |
| Financial Highlights . . . . .                | 17 |
| Approval of Management Agreement . . . . .    | 20 |
| Additional Information . . . . .              | 25 |

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# Performance

## Total Returns as of June 30, 2011

|   | Ticker Symbol | Average Annual Returns  |        |         |          | Since Inception      | Inception Date |
|---|---------------|-------------------------|--------|---------|----------|----------------------|----------------|
|   |               | 6 months <sup>(1)</sup> | 1 year | 5 years | 10 years |                      |                |
| <b>Class I</b>                            | AVPIX         | 3.96%                   | 24.93% | 2.48%   | 5.19%    | 7.72%                | 5/1/96         |
| <b>Russell 3000 Value Index</b>           | —             | 5.74%                   | 29.13% | 1.23%   | 4.25%    | 7.63% <sup>(2)</sup> | —              |
| <b>S&amp;P 500 Index</b>                  | —             | 6.02%                   | 30.69% | 2.94%   | 2.72%    | 6.63% <sup>(2)</sup> | —              |
| <b>Lipper Multi-Cap Value Funds Index</b> | —             | 5.93%                   | 29.78% | 1.25%   | 3.73%    | 6.65% <sup>(2)</sup> | —              |
| <b>Class II</b>                           | AVPVX         | 4.06%                   | 24.69% | 2.34%   | —        | 4.93%                | 8/14/01        |
| <b>Class III</b>                          | AVPTX         | 3.96%                   | 24.93% | 2.48%   | —        | 5.23%                | 5/6/02         |

(1) Total returns for periods less than one year are not annualized.

(2) Since 4/30/96, the date nearest Class I's inception for which data are available.

The performance information presented does not include charges and deductions imposed by the insurance company separate account under the variable annuity or variable life insurance contracts. The inclusion of such charges could significantly lower performance. Please refer to the insurance company separate account prospectus for a discussion of the charges related to insurance contracts.

## Total Annual Fund Operating Expenses

| Class I | Class II | Class III |
|---------|----------|-----------|
| 0.98%   | 1.13%    | 0.98%     |

The total annual fund operating expenses shown is as stated in the fund's prospectus current as of the date of this report. The prospectus may vary from the expense ratio shown elsewhere in this report because it is based on a different time period, includes acquired fund fees and expenses, and, if applicable, does not include fee waivers or expense reimbursements.

Data presented reflect past performance. Past performance is no guarantee of future results. Current performance may be higher or lower than the performance shown. Investment return and principal value will fluctuate, and redemption value may be more or less than original cost. To obtain performance data current to the most recent month end, please call 1-800-345-6488. International investing involves special risks, such as political instability and currency fluctuations.

Unless otherwise indicated, performance reflects Class I shares; performance for other share classes will vary due to differences in fee structure. For information about other share classes available, please consult the prospectus. Data assumes reinvestment of dividends and capital gains, and none of the charts reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares. Returns for the indices are provided for comparison. The fund's total returns include operating expenses (such as transaction costs and management fees) that reduce returns, while the total returns of the indices do not.

# Fund Characteristics

**JUNE 30, 2011**

| <b>Top Ten Holdings</b>    | <b>% of net assets</b> |
|----------------------------|------------------------|
| JPMorgan Chase & Co.       | 3.4%                   |
| Johnson & Johnson          | 3.3%                   |
| Total SA                   | 3.1%                   |
| Pfizer, Inc.               | 2.8%                   |
| Chevron Corp.              | 2.7%                   |
| AT&T, Inc.                 | 2.7%                   |
| General Electric Co.       | 2.7%                   |
| Northern Trust Corp.       | 2.5%                   |
| Procter & Gamble Co. (The) | 2.5%                   |
| U.S. Bancorp.              | 2.0%                   |

| <b>Top Five Industries</b>  | <b>% of net assets</b> |
|-----------------------------|------------------------|
| Oil, Gas & Consumable Fuels | 11.4%                  |
| Pharmaceuticals             | 9.7%                   |
| Insurance                   | 7.9%                   |
| Commercial Banks            | 5.3%                   |
| Capital Markets             | 5.3%                   |

| <b>Types of Investments in Portfolio</b> | <b>% of net assets</b> |
|--|------------------------|
| Domestic Common Stocks                   | 89.0%                  |
| Foreign Common Stocks*                   | 9.7%                   |
| <b>Total Common Stocks</b>               | <b>98.7%</b>           |
| Temporary Cash Investments               | 0.8%                   |
| Other Assets and Liabilities             | 0.5%                   |

\*Includes depositary shares, dual listed securities and foreign ordinary shares.

## Shareholder Fee Example

Fund shareholders may incur two types of costs: (1) transaction costs, including sales charges (loads) on purchase payments and redemption/exchange fees; and (2) ongoing costs, including management fees; distribution and service (12b-1) fees; and other fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in your fund and to compare these costs with the ongoing cost of investing in other mutual funds.

The example is based on an investment of \$1,000 made at the beginning of the period and held for the entire period from January 1, 2011 to June 30, 2011.

### Actual Expenses

The table provides information about actual account values and actual expenses for each class. You may use the information, together with the amount you invested, to estimate the expenses that you paid over the period. First, identify the share class you own. Then 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 under the heading "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

### Hypothetical Example for Comparison Purposes

The table also provides information about hypothetical account values and hypothetical expenses based on the actual expense ratio of each class of your fund and an assumed rate of return of 5% per year before expenses, which is not the actual return of a fund's share class. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in your 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 only and do not reflect any transactional costs, such as sales charges (loads) or redemption/exchange fees. Therefore, the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

|                     | Beginning<br>Account Value<br>1/1/11 | Ending<br>Account Value<br>6/30/11 | Expenses Paid<br>During Period*<br>1/1/11 - 6/30/11 | Annualized<br>Expense Ratio* |
|---------------------|--------------------------------------|------------------------------------|---|------------------------------|
| <b>Actual</b>       |                                      |                                    |   |                              |
| Class I             | \$1,000                              | \$1,039.60                         | \$4.96  | 0.98%                        |
| Class II            | \$1,000                              | \$1,040.60                         | \$5.72  | 1.13%                        |
| Class III           | \$1,000                              | \$1,039.60                         | \$4.96  | 0.98%                        |
| <b>Hypothetical</b> |                                      |                                    |   |                              |
| Class I             | \$1,000                              | \$1,019.93                         | \$4.91  | 0.98%                        |
| Class II            | \$1,000                              | \$1,019.19                         | \$5.66  | 1.13%                        |
| Class III           | \$1,000                              | \$1,019.93                         | \$4.91  | 0.98%                        |

\*Expenses are equal to the class's annualized expense ratio listed in the table above, multiplied by the average account value over the period, multiplied by 181, the number of days in the most recent fiscal half-year, divided by 365, to reflect the one-half year period.

# Schedule of Investments

JUNE 30, 2011 (UNAUDITED)

|  | Shares  | Value        |
|--|---------|--------------|
| <b>Common Stocks – 98.7%</b>                       |         |              |
| <b>AEROSPACE &amp; DEFENSE – 0.7%</b>              |         |              |
| Huntington Ingalls Industries, Inc. <sup>(1)</sup> | 35,148  | \$ 1,212,606 |
| Lockheed Martin Corp.                              | 31,227  | 2,528,450    |
| Raytheon Co.                                       | 42,226  | 2,104,966    |
|  |         | 5,846,022    |
| <b>AIR FREIGHT &amp; LOGISTICS – 0.3%</b>          |         |              |
| United Parcel Service, Inc., Class B               | 27,127  | 1,978,372    |
| <b>AIRLINES – 0.5%</b>                             |         |              |
| Southwest Airlines Co.                             | 355,160 | 4,055,927    |
| <b>AUTOMOBILES – 1.9%</b>                          |         |              |
| General Motors Co. <sup>(1)</sup>                  | 131,956 | 4,006,184    |
| Honda Motor Co. Ltd.                               | 86,200  | 3,322,457    |
| Toyota Motor Corp.                                 | 180,200 | 7,586,925    |
|  |         | 14,915,566   |
| <b>BEVERAGES – 0.4%</b>                            |         |              |
| Dr Pepper Snapple Group, Inc.                      | 47,448  | 1,989,495    |
| PepsiCo, Inc.                                      | 22,351  | 1,574,181    |
|  |         | 3,563,676    |
| <b>CAPITAL MARKETS – 5.3%</b>                      |         |              |
| Charles Schwab Corp. (The)                         | 119,902 | 1,972,388    |
| Franklin Resources, Inc.                           | 18,464  | 2,424,139    |
| Goldman Sachs Group, Inc. (The)                    | 59,597  | 7,931,765    |
| Morgan Stanley                                     | 125,050 | 2,877,400    |
| Northern Trust Corp.                               | 436,464 | 20,059,885   |
| State Street Corp.                                 | 156,633 | 7,062,582    |
|  |         | 42,328,159   |
| <b>COMMERCIAL BANKS – 5.3%</b>                     |         |              |
| Comerica, Inc.                                     | 233,708 | 8,079,285    |
| Commerce Bancshares, Inc.                          | 95,638  | 4,112,434    |
| PNC Financial Services Group, Inc.                 | 65,425  | 3,899,984    |
| U.S. Bancorp.                                      | 619,460 | 15,802,425   |
| Wells Fargo & Co.                                  | 373,617 | 10,483,693   |
|  |         | 42,377,821   |
| <b>COMMERCIAL SERVICES &amp; SUPPLIES – 2.8%</b>   |         |              |
| Avery Dennison Corp.                               | 53,740  | 2,075,976    |
| Cintas Corp.                                       | 23,929  | 790,375      |
| Republic Services, Inc.                            | 477,435 | 14,728,870   |
| Waste Management, Inc.                             | 115,311 | 4,297,641    |
|  |         | 21,892,862   |
| <b>COMMUNICATIONS EQUIPMENT – 1.4%</b>             |         |              |
| Cisco Systems, Inc.                                | 688,916 | 10,753,979   |

|  | Shares    | Value        |
|--|-----------|--------------|
| <b>COMPUTERS &amp; PERIPHERALS – 2.8%</b>                        |           |              |
| Diebold, Inc.  | 181,760   | \$ 5,636,378 |
| Hewlett-Packard Co.  | 382,748   | 13,932,027   |
| QLogic Corp. <sup>(1)</sup>                                      | 181,211   | 2,884,879    |
|  |           | 22,453,284   |
| <b>CONSTRUCTION MATERIALS – 0.1%</b>                             |           |              |
| Martin Marietta Materials, Inc.                                  | 9,904     | 792,023      |
| <b>CONTAINERS &amp; PACKAGING – 0.6%</b>                         |           |              |
| Bemis Co., Inc.  | 147,744   | 4,990,792    |
| <b>DIVERSIFIED FINANCIAL SERVICES – 4.9%</b>                     |           |              |
| Bank of America Corp.  | 1,034,364 | 11,336,629   |
| JPMorgan Chase & Co.   | 664,451   | 27,202,624   |
|  |           | 38,539,253   |
| <b>DIVERSIFIED TELECOMMUNICATION SERVICES – 3.6%</b>             |           |              |
| AT&T, Inc.   | 674,540   | 21,187,302   |
| CenturyLink, Inc.  | 62,591    | 2,530,554    |
| TELUS Corp.  | 38,790    | 2,135,672    |
| Verizon Communications, Inc.                                     | 75,143    | 2,797,574    |
|  |           | 28,651,102   |
| <b>ELECTRIC UTILITIES – 2.8%</b>                                 |           |              |
| American Electric Power Co., Inc.                                | 214,567   | 8,084,885    |
| NV Energy, Inc.  | 120,141   | 1,844,164    |
| Westar Energy, Inc.  | 463,653   | 12,476,902   |
|  |           | 22,405,951   |
| <b>ELECTRICAL EQUIPMENT – 1.2%</b>                               |           |              |
| Emerson Electric Co.   | 54,807    | 3,082,894    |
| Hubbell, Inc., Class B   | 68,193    | 4,429,135    |
| Thomas & Betts Corp. <sup>(1)</sup>                              | 44,509    | 2,396,810    |
|  |           | 9,908,839    |
| <b>ELECTRONIC EQUIPMENT, INSTRUMENTS &amp; COMPONENTS – 0.4%</b> |           |              |
| Molex, Inc.  | 114,229   | 2,943,681    |
| <b>FOOD &amp; STAPLES RETAILING – 2.5%</b>                       |           |              |
| CVS Caremark Corp.   | 241,214   | 9,064,822    |
| Wal-Mart Stores, Inc.  | 202,794   | 10,776,473   |
|  |           | 19,841,295   |
| <b>FOOD PRODUCTS – 3.9%</b>                                      |           |              |
| Campbell Soup Co.  | 58,038    | 2,005,213    |
| ConAgra Foods, Inc.  | 229,183   | 5,915,213    |
| General Mills, Inc.  | 31,042    | 1,155,383    |
| Kellogg Co.  | 42,123    | 2,330,245    |
| Kraft Foods, Inc., Class A                                       | 448,131   | 15,787,655   |
| Unilever NV CVA  | 107,992   | 3,537,824    |
|  |           | 30,731,533   |

|  | Shares    | Value        |
|--|-----------|--------------|
| <b>HEALTH CARE EQUIPMENT &amp; SUPPLIES — 3.2%</b> |           |              |
| Boston Scientific Corp. <sup>(1)</sup>             | 1,001,311 | \$ 6,919,059 |
| CareFusion Corp. <sup>(1)</sup>                    | 190,751   | 5,182,705    |
| Medtronic, Inc.                                    | 122,316   | 4,712,835    |
| Zimmer Holdings, Inc. <sup>(1)</sup>               | 130,676   | 8,258,723    |
|  |           | 25,073,322   |
| <b>HEALTH CARE PROVIDERS &amp; SERVICES — 2.2%</b> |           |              |
| Aetna, Inc.  | 78,383    | 3,455,907    |
| CIGNA Corp.  | 60,482    | 3,110,589    |
| LifePoint Hospitals, Inc. <sup>(1)</sup>           | 52,073    | 2,035,013    |
| Quest Diagnostics, Inc.                            | 19,353    | 1,143,762    |
| UnitedHealth Group, Inc.                           | 147,743   | 7,620,584    |
|  |           | 17,365,855   |
| <b>HOTELS, RESTAURANTS &amp; LEISURE — 1.5%</b>    |           |              |
| International Game Technology                      | 132,334   | 2,326,432    |
| International Speedway Corp., Class A              | 205,602   | 5,841,153    |
| Speedway Motorsports, Inc.                         | 242,686   | 3,441,287    |
|  |           | 11,608,872   |
| <b>HOUSEHOLD DURABLES — 1.0%</b>                   |           |              |
| Toll Brothers, Inc. <sup>(1)</sup>                 | 107,218   | 2,223,701    |
| Whirlpool Corp.                                    | 73,636    | 5,988,080    |
|  |           | 8,211,781    |
| <b>HOUSEHOLD PRODUCTS — 4.2%</b>                   |           |              |
| Clorox Co.   | 39,987    | 2,696,723    |
| Kimberly-Clark Corp.                               | 168,314   | 11,202,980   |
| Procter & Gamble Co. (The)                         | 309,833   | 19,696,084   |
|  |           | 33,595,787   |
| <b>INDUSTRIAL CONGLOMERATES — 4.4%</b>             |           |              |
| General Electric Co.                               | 1,115,915 | 21,046,157   |
| Koninklijke Philips Electronics NV                 | 439,038   | 11,267,595   |
| Tyco International Ltd.                            | 52,421    | 2,591,170    |
|  |           | 34,904,922   |
| <b>INSURANCE — 7.9%</b>                            |           |              |
| ACE Ltd.   | 60,121    | 3,957,164    |
| Allstate Corp. (The)                               | 269,169   | 8,217,730    |
| Aon Corp.  | 46,338    | 2,377,139    |
| Berkshire Hathaway, Inc., Class A <sup>(1)</sup>   | 86        | 9,985,030    |
| HCC Insurance Holdings, Inc.                       | 148,126   | 4,665,969    |
| Marsh & McLennan Cos., Inc.                        | 375,469   | 11,710,878   |
| MetLife, Inc.                                      | 100,972   | 4,429,642    |
| Prudential Financial, Inc.                         | 40,517    | 2,576,476    |
| Transatlantic Holdings, Inc.                       | 186,324   | 9,131,739    |
| Travelers Cos., Inc. (The)                         | 103,118   | 6,020,029    |
|  |           | 63,071,796   |

|  | Shares    | Value        |
|--|-----------|--------------|
| <b>METALS &amp; MINING — 0.9%</b>                          |           |              |
| Barrick Gold Corp.   | 47,617    | \$ 2,156,574 |
| Freeport-McMoRan Copper & Gold, Inc.                       | 43,156    | 2,282,952    |
| Newmont Mining Corp.                                       | 44,815    | 2,418,666    |
|  |           | 6,858,192    |
| <b>MULTILINE RETAIL — 1.1%</b>                             |           |              |
| Target Corp.   | 184,099   | 8,636,084    |
| <b>MULTI-UTILITIES — 2.1%</b>                              |           |              |
| PG&E Corp.   | 216,868   | 9,114,962    |
| Xcel Energy, Inc.  | 298,399   | 7,251,096    |
|  |           | 16,366,058   |
| <b>OIL, GAS &amp; CONSUMABLE FUELS — 11.4%</b>             |           |              |
| BP plc   | 301,882   | 2,224,265    |
| BP plc ADR   | 18,984    | 840,801      |
| Chevron Corp.  | 206,787   | 21,265,975   |
| ConocoPhillips   | 99,826    | 7,505,917    |
| EQT Corp.  | 117,844   | 6,189,167    |
| Exxon Mobil Corp.  | 150,401   | 12,239,633   |
| Imperial Oil Ltd.  | 159,430   | 7,425,575    |
| Murphy Oil Corp.   | 75,247    | 4,940,718    |
| Total SA   | 421,717   | 24,390,461   |
| Ultra Petroleum Corp. <sup>(1)</sup>                       | 46,292    | 2,120,174    |
| Valero Energy Corp.  | 35,732    | 913,667      |
|  |           | 90,056,353   |
| <b>PHARMACEUTICALS — 9.7%</b>                              |           |              |
| Bristol-Myers Squibb Co.                                   | 246,788   | 7,146,981    |
| Eli Lilly & Co.  | 155,187   | 5,824,168    |
| Johnson & Johnson  | 398,697   | 26,521,324   |
| Merck & Co., Inc.  | 430,544   | 15,193,898   |
| Pfizer, Inc.   | 1,074,678 | 22,138,367   |
|  |           | 76,824,738   |
| <b>REAL ESTATE INVESTMENT TRUSTS (REITs) — 0.6%</b>        |           |              |
| Annaly Capital Management, Inc.                            | 92,234    | 1,663,901    |
| Weyerhaeuser Co.   | 135,518   | 2,962,424    |
|  |           | 4,626,325    |
| <b>SEMICONDUCTORS &amp; SEMICONDUCTOR EQUIPMENT — 2.5%</b> |           |              |
| Applied Materials, Inc.                                    | 374,935   | 4,877,904    |
| Intel Corp.  | 671,537   | 14,881,260   |
|  |           | 19,759,164   |
| <b>SPECIALTY RETAIL — 2.9%</b>                             |           |              |
| Lowe's Cos., Inc.  | 593,436   | 13,832,993   |
| Staples, Inc.  | 594,698   | 9,396,229    |
|  |           | 23,229,222   |
| <b>THRIFTS &amp; MORTGAGE FINANCE — 1.0%</b>               |           |              |
| Hudson City Bancorp., Inc.                                 | 972,592   | 7,965,528    |

|   | Shares    | Value              |
|---|-----------|--------------------|
| <b>WIRELESS TELECOMMUNICATION SERVICES — 0.7%</b>   |           |                    |
| Rogers Communications, Inc., Class B  | 145,538   | \$ 5,762,970       |
| <b>TOTAL COMMON STOCKS</b><br>(Cost \$716,152,124)  |           | <b>782,887,106</b> |
| <b>Temporary Cash Investments — 0.8%</b>  |           |                    |
| JPMorgan U.S. Treasury Plus Money Market Fund Agency Shares   | 1,544,795 | 1,544,795          |
| Repurchase Agreement, Bank of America N.A., (collateralized by various U.S. Treasury obligations, 4.375%, 11/15/39, valued at \$1,845,290), in a joint trading account at 0.00%, dated 6/30/11, due 7/1/11 (Delivery value \$1,803,512)           |           | 1,803,512          |
| Repurchase Agreement, Credit Suisse First Boston, Inc., (collateralized by various U.S. Treasury obligations, 3.50%, 5/15/20, valued at \$1,533,446), in a joint trading account at 0.00%, dated 6/30/11, due 7/1/11 (Delivery value \$1,502,926) |           | 1,502,926          |

|   | Value                |
|---|----------------------|
| Repurchase Agreement, Goldman Sachs Group, Inc., (collateralized by various U.S. Treasury obligations, 1.375%, 9/15/12, valued at \$1,839,777), in a joint trading account at 0.00%, dated 6/30/11, due 7/1/11 (Delivery value \$1,803,511) | \$ 1,803,511         |
| <b>TOTAL TEMPORARY CASH INVESTMENTS</b><br>(Cost \$6,654,744)   | <b>6,654,744</b>     |
| <b>TOTAL INVESTMENT SECURITIES — 99.5%</b><br>(Cost \$722,806,868)  | <b>789,541,850</b>   |
| <b>OTHER ASSETS AND LIABILITIES — 0.5%</b>  | <b>3,891,497</b>     |
| <b>TOTAL NET ASSETS — 100.0%</b>  | <b>\$793,433,347</b> |

### Forward Foreign Currency Exchange Contracts

| Contracts to Sell       | Counterparty               | Settlement Date | Value               | Unrealized Gain (Loss) |
|-------------------------|----------------------------|-----------------|---------------------|------------------------|
| 10,712,311 CAD for USD  | Bank of America            | 7/29/11         | \$11,100,726        | \$(255,013)            |
| 14,044,209 EUR for USD  | UBS AG                     | 7/29/11         | 20,352,728          | (334,673)              |
| 1,402,740 GBP for USD   | Bank of America            | 7/29/11         | 2,250,654           | (10,865)               |
| 637,917,750 JPY for USD | Credit Suisse First Boston | 7/29/11         | 7,924,898           | (43,532)               |
|                         |                            |                 | <b>\$41,629,006</b> | <b>\$(644,083)</b>     |

(Value on Settlement Date \$40,984,923)

### Notes to Schedule of Investments

ADR = American Depositary Receipt

CAD = Canadian Dollar

CVA = Certificaten Van Aandelen

EUR = Euro

GBP = British Pound

JPY = Japanese Yen

USD = United States Dollar

(1) Non-income producing.

See Notes to Financial Statements.

# Statement of Assets and Liabilities

**JUNE 30, 2011 (UNAUDITED)**

| <b>Assets</b>  |                       |
|--|-----------------------|
| Investment securities, at value (cost of \$722,806,868)        | \$789,541,850         |
| Foreign currency holdings, at value (cost of \$119,133)        | 119,143               |
| Receivable for investments sold                                | 8,524,725             |
| Receivable for capital shares sold                             | 6,439,051             |
| Dividends and interest receivable                              | 1,726,331             |
|  | 806,351,100           |
| <b>Liabilities</b>   |                       |
| Payable for investments purchased                              | 5,317,709             |
| Payable for capital shares redeemed                            | 6,278,948             |
| Unrealized loss on forward foreign currency exchange contracts | 644,083               |
| Accrued management fees  | 593,153               |
| Distribution fees payable                                      | 83,860                |
|  | 12,917,753            |
| <b>Net Assets</b>  | <b>\$793,433,347</b>  |
| <b>Net Assets Consist of:</b>                                  |                       |
| Capital (par value and paid-in surplus)                        | \$1,174,686,214       |
| Undistributed net investment income                            | 163,633               |
| Accumulated net realized loss                                  | (447,508,455)         |
| Net unrealized appreciation                                    | 66,091,955            |
|  | <b>\$ 793,433,347</b> |

|                             | <b>Net assets</b> | <b>Shares outstanding</b> | <b>Net asset value per share</b> |
|-----------------------------|-------------------|---------------------------|----------------------------------|
| Class I, \$0.01 Par Value   | \$376,977,299     | 62,612,317                | \$6.02                           |
| Class II, \$0.01 Par Value  | \$408,793,533     | 67,827,537                | \$6.03                           |
| Class III, \$0.01 Par Value | \$7,662,515       | 1,272,586                 | \$6.02                           |

See Notes to Financial Statements.

# Statement of Operations

**FOR THE SIX MONTHS ENDED JUNE 30, 2011 (UNAUDITED)**

|  |                     |
|--|---------------------|
| <b>Investment Income (Loss)</b>  |                     |
| <b>Income:</b>   |                     |
| Dividends (net of foreign taxes withheld of \$189,247)                 | \$10,848,205        |
| Interest   | 8,079               |
|  | 10,856,284          |
| <b>Expenses:</b>   |                     |
| Management fees  | 3,721,290           |
| Distribution fees – Class II   | 522,345             |
| Directors' fees and expenses   | 29,255              |
|  | 4,272,890           |
| <b>Net investment income (loss)</b>                                    | <b>6,583,394</b>    |
| <b>Realized and Unrealized Gain (Loss)</b>                             |                     |
| <b>Net realized gain (loss) on:</b>                                    |                     |
| Investment transactions  | 48,804,482          |
| Futures contract transactions  | (77,119)            |
| Foreign currency transactions  | (1,880,227)         |
|  | 46,847,136          |
| <b>Change in net unrealized appreciation (depreciation) on:</b>        |                     |
| Investments  | (21,634,765)        |
| Translation of assets and liabilities in foreign currencies            | (194,887)           |
|  | (21,829,652)        |
| <b>Net realized and unrealized gain (loss)</b>                         | <b>25,017,484</b>   |
| <b>Net Increase (Decrease) in Net Assets Resulting from Operations</b> | <b>\$31,600,878</b> |

See Notes to Financial Statements.

# Statement of Changes in Net Assets

**SIX MONTHS ENDED JUNE 30, 2011 (UNAUDITED) AND YEAR ENDED DECEMBER 31, 2010**

| Increase (Decrease) in Net Assets                                     | 2011                 | 2010                  |
|---|----------------------|-----------------------|
| <b>Operations</b>   |                      |                       |
| Net investment income (loss)  | \$ 6,583,394         | \$ 22,853,537         |
| Net realized gain (loss)  | 46,847,136           | 89,172,398            |
| Change in net unrealized appreciation (depreciation)                  | (21,829,652)         | 17,581,001            |
| Net increase (decrease) in net assets resulting from operations       | <u>31,600,878</u>    | <u>129,606,936</u>    |
| <b>Distributions to Shareholders</b>                                  |                      |                       |
| From net investment income:   |                      |                       |
| Class I   | (4,420,457)          | (12,210,520)          |
| Class II  | (4,648,486)          | (9,009,199)           |
| Class III   | (93,137)             | (143,522)             |
| Decrease in net assets from distributions                             | <u>(9,162,080)</u>   | <u>(21,363,241)</u>   |
| <b>Capital Share Transactions</b>                                     |                      |                       |
| Net increase (decrease) in net assets from capital share transactions | <u>(31,923,939)</u>  | <u>(464,817,747)</u>  |
| <b>Redemption Fees</b>  |                      |                       |
| Increase in net assets from redemption fees                           | <u>43</u>            | <u>3,796</u>          |
| <b>Net increase (decrease) in net assets</b>                          | <b>(9,485,098)</b>   | <b>(356,570,256)</b>  |
| <b>Net Assets</b>   |                      |                       |
| Beginning of period   | 802,918,445          | 1,159,488,701         |
| End of period   | <u>\$793,433,347</u> | <u>\$ 802,918,445</u> |
| Undistributed net investment income                                   | <u>\$163,633</u>     | <u>\$2,742,319</u>    |

See Notes to Financial Statements.

# Notes to Financial Statements

JUNE 30, 2011 (UNAUDITED)

## 1. Organization

American Century Variable Portfolios, Inc. (the corporation) is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as an open-end management investment company and is organized as a Maryland corporation. VP Value Fund (the fund) is one fund in a series issued by the corporation. The fund is diversified as defined under the 1940 Act. The fund's investment objective is to seek long-term capital growth. Income is a secondary objective. The fund pursues its objectives by investing in equity securities of companies of all sizes that management believes to be undervalued at the time of purchase.

The fund is authorized to issue Class I, Class II and Class III. The share classes differ principally in their respective distribution and shareholder servicing expenses and arrangements. Class II is charged a lower unified management fee because it has a separate arrangement for distribution services.

## 2. Significant Accounting Policies

The following is a summary of significant accounting policies consistently followed by the fund in preparation of its financial statements. The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, which may require management to make certain estimates and assumptions at the date of the financial statements. Actual results could differ from these estimates.

**Investment Valuations** — The fund determines the fair value of its investments and computes its net asset value per share as of the close of regular trading (usually 4 p.m. Eastern time) on the New York Stock Exchange (NYSE) on each day the NYSE is open.

Equity securities that are listed or traded on a domestic securities exchange are valued at the last reported sales price or at the official closing price as provided by the exchange. Equity securities traded on foreign securities exchanges are typically valued at the closing price on the exchange where primarily traded or as of the close of the NYSE, if that is earlier. If no last sales price is reported, or if local convention or regulation so provides, the mean of the latest bid and asked prices is used. Depending on local convention or regulation, securities traded over-the-counter are valued at the mean of the latest bid and asked prices, the last sales price, or the official closing price. In its determination of fair value, the fund may review several factors including: market information specific to a security; news developments in U.S. and foreign markets; the performance of particular U.S. and foreign securities, indices, comparable securities, American Depositary Receipts, Exchange-Traded Funds, and other relevant market indicators.

Debt securities maturing within 60 days at the time of purchase may be valued at cost, plus or minus any amortized discount or premium or at the evaluated mean as provided by an independent pricing service. Evaluated mean prices are commonly derived through utilization of market models, which may consider, among other factors, trade data, quotations from dealers and active market makers, relevant yield curve and spread data, related sector levels, creditworthiness, and other relevant market information on the same or comparable securities.

Investments in open-end management investment companies are valued at the reported net asset value per share. Repurchase agreements are valued at cost. Exchange-traded futures contracts are valued at the settlement price as provided by the appropriate clearing corporation. Forward foreign currency exchange contracts are valued at the mean of the latest bid and asked prices of the forward currency rates as provided by an independent pricing service.

The value of investments initially expressed in foreign currencies is translated into U.S. dollars at prevailing exchange rates.

If the fund determines that the market price for a portfolio security is not readily available or the valuation methods mentioned above do not reflect a security's fair value, such security is valued as determined in good faith by the Board of Directors or its designee, in accordance with procedures adopted by the Board of Directors. Circumstances that may cause the fund to use these procedures to value a security include, but are not limited to: a security has been declared in default; trading in a security has been halted during the trading day; there is a foreign market holiday and no trading occurred; or an event occurred between the close of a foreign exchange and the NYSE that may affect the value of a security.

**Security Transactions** – Security transactions are accounted for as of the trade date. Net realized gains and losses are determined on the identified cost basis, which is also used for federal income tax purposes.

**Investment Income** – Dividend income less foreign taxes withheld, if any, is recorded as of the ex-dividend date. Interest income is recorded on the accrual basis and includes accretion of discounts and amortization of premiums.

**Foreign Currency Translations** – All assets and liabilities initially expressed in foreign currencies are translated into U.S. dollars at prevailing exchange rates at period end. The fund may enter into spot foreign currency exchange contracts to facilitate transactions denominated in a foreign currency. Purchases and sales of investment securities, dividend and interest income, spot foreign currency exchange contracts, and expenses are translated at the rates of exchange prevailing on the respective dates of such transactions. Net realized and unrealized foreign currency exchange gains or losses related to investment securities are a component of net realized gain (loss) on investment transactions and change in net unrealized appreciation (depreciation) on investments, respectively.

**Repurchase Agreements** – The fund may enter into repurchase agreements with institutions that American Century Investment Management, Inc. (ACIM) (the investment advisor) has determined are creditworthy pursuant to criteria adopted by the Board of Directors. The fund requires that the collateral, represented by securities, received in a repurchase transaction be transferred to the custodian in a manner sufficient to enable the fund to obtain those securities in the event of a default under the repurchase agreement. ACIM monitors, on a daily basis, the securities transferred to ensure the value, including accrued interest, of the securities under each repurchase agreement is equal to or greater than amounts owed to the fund under each repurchase agreement.

**Joint Trading Account** – Pursuant to an Exemptive Order issued by the Securities and Exchange Commission, the fund, along with certain other funds in the American Century Investments family of funds, may transfer uninvested cash balances into a joint trading account. These balances are invested in one or more repurchase agreements that are collateralized by U.S. Treasury or Agency obligations.

**Income Tax Status** – It is the fund's policy to distribute substantially all net investment income and net realized gains to shareholders and to otherwise qualify as a regulated investment company under provisions of the Internal Revenue Code. The fund is no longer subject to examination by tax authorities for years prior to 2007. At this time, management believes there are no uncertain tax positions which, based on their technical merit, would not be sustained upon examination and for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months. Accordingly, no provision has been made for federal or state income taxes.

**Multiple Class** – All shares of the fund represent an equal pro rata interest in the net assets of the class to which such shares belong, and have identical voting, dividend, liquidation and other rights and the same terms and conditions, except for class specific expenses and exclusive rights to vote on matters affecting only individual classes. Income, non-class specific expenses, and realized and unrealized capital gains and losses of the fund are allocated to each class of shares based on their relative net assets.

**Distributions to Shareholders** – Distributions from net investment income, if any, are generally declared and paid quarterly. Distributions from net realized gains, if any, are generally declared and paid annually.

The book-basis character of distributions made during the year from net investment income or net realized gains may differ from their ultimate characterization for federal income tax purposes. These differences reflect the differing character of certain income items and net realized gains and losses for financial statement and tax purposes, and may result in reclassification among certain capital accounts on the financial statements.

As of December 31, 2010, the fund had accumulated capital losses of \$(459,830,430), which represent net capital loss carryovers that may be used to offset future realized capital gains for federal income tax purposes. Future capital loss carryover utilization in any given year may be subject to Internal Revenue Code limitations. Capital loss carryovers of \$(239,785,091) and \$(220,045,339) expire in 2016 and 2017, respectively.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the "Act") was enacted, which changed various technical rules governing the tax treatment of regulated investment companies. The changes are generally effective for taxable years beginning after the date of enactment. Under the Act, the fund will be permitted to carry forward capital losses incurred in taxable years beginning after the date of enactment for an unlimited period. However, any losses incurred during those future taxable years will be required to be utilized prior to the losses incurred in pre-enactment taxable years, which carry an expiration date. As a result of this ordering rule, pre-enactment capital loss carryforwards may be more likely to expire unused.

**Redemption** – The fund may impose a 1.00% redemption fee on shares held less than 60 days. The fee may not be applicable to all classes. The redemption fee is retained by the fund and helps cover transaction costs that long-term investors may bear when the fund sells securities to meet investor redemptions.

**Indemnifications** – Under the corporation's organizational documents, its officers and directors are indemnified against certain liabilities arising out of the performance of their duties to the fund. In addition, in the normal course of business, the fund enters into contracts that provide general indemnifications. The maximum exposure under these arrangements is unknown as this would involve future claims that may be made against a fund. The risk of material loss from such claims is considered by management to be remote.

### **3. Fees and Transactions with Related Parties**

**Management Fees** – The corporation has entered into a management agreement with ACIM, under which ACIM provides the fund with investment advisory and management services in exchange for a single, unified management fee (the fee) per class. The agreement provides that all expenses of managing and operating the fund, except distribution fees, brokerage expenses, taxes, interest, fees and expenses of the independent directors (including legal counsel fees), and extraordinary expenses, will be paid by ACIM. The fee is computed and accrued daily based on each class's daily net assets and paid monthly in arrears. The rate of the fee is determined by applying a fee rate calculation formula. This formula takes into account the fund's assets as well as certain assets, if any, of other clients of the investment advisor outside the American Century Investments family of funds (such as subadvised funds and separate accounts) that have very similar investment teams and investment strategies (strategy assets). The annual management fee schedule ranges from 0.90% to 1.00% for Class I and Class III and from 0.80% to 0.90% for Class II. The effective annual management fee for each class for the six months ended June 30, 2011 was 0.97%, 0.87% and 0.97% for Class I, Class II and Class III, respectively.

**Distribution Fees** – The Board of Directors has adopted the Master Distribution Plan (the plan) for Class II, pursuant to Rule 12b-1 of the 1940 Act. The plan provides that Class II will pay American Century Investment Services, Inc. (ACIS) an annual distribution fee equal to 0.25%. The fee is computed and accrued daily based on the Class II daily net assets and paid monthly in arrears. The distribution fee provides compensation for expenses incurred in connection with distributing shares of Class II including, but not limited to, payments to brokers, dealers, and financial institutions that have entered into sales agreements with respect to shares of the fund. Fees incurred under the plan during the six months ended June 30, 2011 are detailed in the Statement of Operations.

**Related Parties** — Certain officers and directors of the corporation are also officers and/or directors of American Century Companies, Inc. (ACC), the parent of the corporation's investment advisor, ACIM, the distributor of the corporation, ACIS, and the corporation's transfer agent, American Century Services, LLC.

The fund is eligible to invest in a money market fund for temporary purposes, which is managed by J.P. Morgan Investment Management, Inc. (JPMIM). The fund has a securities lending agreement with JPMorgan Chase Bank (JPMCB) and a mutual funds services agreement with J.P. Morgan Investor Services Co. (JPMIS). JPMCB is a custodian of the fund. JPMIM, JPMIS and JPMCB are wholly owned subsidiaries of JPMorgan Chase & Co. (JPM). JPM is an equity investor in ACC. The services provided to the fund by JPMIM, JPMIS and JPMCB terminated on July 31, 2011.

#### 4. Investment Transactions

Purchases and sales of investment securities, excluding short-term investments, for the six months ended June 30, 2011 were \$265,297,199 and \$294,973,914, respectively.

As of June 30, 2011, the composition of unrealized appreciation and depreciation of investment securities based on the aggregate cost of investments for federal income tax purposes was as follows:

|  |               |
|--|---------------|
| Federal tax cost of investments                    | \$754,525,448 |
| Gross tax appreciation of investments              | \$ 76,289,124 |
| Gross tax depreciation of investments              | (41,272,722)  |
| Net tax appreciation (depreciation) of investments | \$ 35,016,402 |

The difference between book-basis and tax-basis cost and unrealized appreciation (depreciation) is attributable primarily to the tax deferral of losses on wash sales.

#### 5. Capital Share Transactions

Transactions in shares of the fund were as follows:

|   | Six months ended June 30, 2011 |                       | Year ended December 31, 2010 |                        |
|---|--------------------------------|-----------------------|------------------------------|------------------------|
|   | Shares                         | Amount                | Shares                       | Amount                 |
| <b>Class I/Shares Authorized</b>        | <u>650,000,000</u>             |                       | <u>650,000,000</u>           |                        |
| Sold                                    | 5,998,520                      | \$ 36,458,343         | 10,718,650                   | \$ 58,378,637          |
| Issued in reinvestment of distributions | 735,381                        | 4,420,457             | 2,229,670                    | 12,210,520             |
| Redeemed                                | (9,945,078)                    | (60,301,844)          | (74,540,998)                 | (418,883,588)          |
|   | (3,211,177)                    | (19,423,044)          | (61,592,678)                 | (348,294,431)          |
| <b>Class II/Shares Authorized</b>       | <u>350,000,000</u>             |                       | <u>350,000,000</u>           |                        |
| Sold                                    | 3,103,105                      | 18,749,802            | 5,755,002                    | 31,208,735             |
| Issued in reinvestment of distributions | 772,760                        | 4,648,486             | 1,633,801                    | 9,009,199              |
| Redeemed                                | (5,835,652)                    | (35,359,091)          | (28,414,505)                 | (158,068,799)          |
|   | (1,959,787)                    | (11,960,803)          | (21,025,702)                 | (117,850,865)          |
| <b>Class III/Shares Authorized</b>      | <u>50,000,000</u>              |                       | <u>50,000,000</u>            |                        |
| Sold                                    | 136,484                        | 832,546               | 898,747                      | 4,936,667              |
| Issued in reinvestment of distributions | 15,492                         | 93,137                | 25,859                       | 143,522                |
| Redeemed                                | (242,079)                      | (1,465,775)           | (706,538)                    | (3,752,640)            |
|   | (90,103)                       | (540,092)             | 218,068                      | 1,327,549              |
| Net increase (decrease)                 | <u>(5,261,067)</u>             | <u>\$(31,923,939)</u> | <u>(82,400,312)</u>          | <u>\$(464,817,747)</u> |

## 6. Fair Value Measurements

The fund's securities valuation process is based on several considerations and may use multiple inputs to determine the fair value of the positions held by the fund. In conformity with accounting principles generally accepted in the United States of America, the inputs used to determine a valuation are classified into three broad levels as follows:

- Level 1 valuation inputs consist of unadjusted quoted prices in an active market for identical securities;
- Level 2 valuation inputs consist of direct or indirect observable market data (including quoted prices for similar securities, evaluations of subsequent market events, interest rates, prepayment speeds, credit risk, etc.); or
- Level 3 valuation inputs consist of unobservable data (including a fund's own assumptions).

The level classification is based on the lowest level input that is significant to the fair valuation measurement. The valuation inputs are not necessarily an indication of the risks associated with investing in these securities or other financial instruments.

The following is a summary of the level classifications as of period end. The Schedule of Investments provides additional information on the fund's portfolio holdings.

|   | Level 1              | Level 2             | Level 3 |
|---|----------------------|---------------------|---------|
| <b>Investment Securities</b>  |                      |                     |         |
| Domestic Common Stocks  | \$705,687,653        | –                   | –       |
| Foreign Common Stocks   | 9,545,709            | \$67,653,744        | –       |
| Temporary Cash Investments  | 1,544,795            | 5,109,949           | –       |
| Total Value of Investment Securities  | <u>\$716,778,157</u> | <u>\$72,763,693</u> | –       |
| <b>Other Financial Instruments</b>  |                      |                     |         |
| Total Unrealized Gain (Loss) on Forward Foreign Currency Exchange Contracts | –                    | \$(644,083)         | –       |

## 7. Derivative Instruments

**Equity Price Risk** – The fund is subject to equity price risk in the normal course of pursuing its investment objectives. A fund may enter into futures contracts based on an equity index in order to manage its exposure to changes in market conditions. A fund may purchase futures contracts to gain exposure to increases in market value or sell futures contracts to protect against a decline in market value. Upon entering into a futures contract, a fund is required to deposit either cash or securities in an amount equal to a certain percentage of the contract value (initial margin). Subsequent payments (variation margin) are made or received daily, in cash, by a fund. The variation margin is equal to the daily change in the contract value and is recorded as unrealized gains and losses. A fund recognizes a realized gain or loss when the contract is closed or expires. Net realized and unrealized gains or losses occurring during the holding period of futures contracts are a component of net realized gain (loss) on futures contract transactions and change in net unrealized appreciation (depreciation) on futures contracts, respectively. One of the risks of entering into futures contracts is the possibility that the change in value of the contract may not correlate with the changes in value of the underlying securities. During the period, the fund infrequently purchased equity price risk derivative instruments for temporary investment purposes.

**Foreign Currency Risk** – The fund is subject to foreign currency exchange rate risk in the normal course of pursuing its investment objectives. The value of foreign investments held by a fund may be significantly affected by changes in foreign currency exchange rates. The dollar value of a foreign security generally decreases when the value of the dollar rises against the foreign currency in which the security is denominated and tends to increase when the value of the dollar declines against such foreign currency. A fund

may enter into forward foreign currency exchange contracts to reduce a fund's exposure to foreign currency exchange rate fluctuations. The net U.S. dollar value of foreign currency underlying all contractual commitments held by a fund and the resulting unrealized appreciation or depreciation are determined daily. Realized gain or loss is recorded upon the termination of the contract. Net realized and unrealized gains or losses occurring during the holding period of forward foreign currency exchange contracts are a component of net realized gain (loss) on foreign currency transactions and change in net unrealized appreciation (depreciation) on translation of assets and liabilities in foreign currencies, respectively. A fund bears the risk of an unfavorable change in the foreign currency exchange rate underlying the forward contract. Additionally, losses, up to the fair value, may arise if the counterparties do not perform under the contract terms. The risk of loss from non-performance by the counterparty may be reduced by the use of master netting agreements. The foreign currency risk derivative instruments held at period end as disclosed on the Schedule of Investments are indicative of the fund's typical volume during the period.

Value of Derivative Instruments as of June 30, 2011

| Type of Risk Exposure | Asset Derivatives  |       | Liability Derivatives  |           |
|-----------------------|--|-------|--|-----------|
|                       | Location on Statement of Assets and Liabilities                | Value | Location on Statement of Assets and Liabilities                | Value     |
| Foreign Currency Risk | Unrealized gain on forward foreign currency exchange contracts | —     | Unrealized loss on forward foreign currency exchange contracts | \$644,083 |

Effect of Derivative Instruments on the Statement of Operations for the Six Months Ended June 30, 2011

| Type of Risk Exposure | Net Realized Gain (Loss)                                  |                      | Change in Net Unrealized Appreciation (Depreciation)  |                    |
|-----------------------|---|----------------------|---|--------------------|
|                       | Location on Statement of Operations                       | Value                | Location on Statement of Operations   | Value              |
| Equity Price Risk     | Net realized gain (loss) on futures contract transactions | \$ (77,119)          | Change in net unrealized appreciation (depreciation) on futures contracts   | —                  |
| Foreign Currency Risk | Net realized gain (loss) on foreign currency transactions | (1,891,978)          | Change in net unrealized appreciation (depreciation) on translation of assets and liabilities in foreign currencies | \$(195,207)        |
|                       |   | <u>\$(1,969,097)</u> |   | <u>\$(195,207)</u> |

## 8. Risk Factors

There are certain risks involved in investing in foreign securities. These risks include those resulting from future adverse political, social, and economic developments, fluctuations in currency exchange rates, the possible imposition of exchange controls, and other foreign laws or restrictions.

# Financial Highlights

## Class I

For a Share Outstanding Throughout the Years Ended December 31 (except as noted)

|  | 2011 <sup>(1)</sup> | 2010          | 2009          | 2008            | 2007           | 2006          |
|--|---------------------|---------------|---------------|-----------------|----------------|---------------|
| <b>Per-Share Data</b>                          |                     |               |               |                 |                |               |
| Net Asset Value,<br>Beginning of Period        | \$5.86              | \$5.28        | \$4.68        | \$7.47          | \$8.74         | \$8.20        |
| <b>Income From Investment Operations</b>       |                     |               |               |                 |                |               |
| Net Investment<br>Income (Loss) <sup>(2)</sup> | 0.05                | 0.12          | 0.11          | 0.14            | 0.13           | 0.13          |
| Net Realized and<br>Unrealized Gain (Loss)     | 0.18                | 0.58          | 0.75          | (1.93)          | (0.54)         | 1.26          |
| Total From<br>Investment Operations            | 0.23                | 0.70          | 0.86          | (1.79)          | (0.41)         | 1.39          |
| <b>Distributions</b>                           |                     |               |               |                 |                |               |
| From Net<br>Investment Income                  | (0.07)              | (0.12)        | (0.26)        | (0.16)          | (0.14)         | (0.12)        |
| From Net Realized Gains                        | —                   | —             | —             | (0.84)          | (0.72)         | (0.73)        |
| Total Distributions                            | (0.07)              | (0.12)        | (0.26)        | (1.00)          | (0.86)         | (0.85)        |
| Net Asset Value,<br>End of Period              | \$6.02              | \$5.86        | \$5.28        | \$4.68          | \$7.47         | \$8.74        |
| <b>Total Return<sup>(3)</sup></b>              | <b>3.96%</b>        | <b>13.42%</b> | <b>19.86%</b> | <b>(26.78)%</b> | <b>(5.14)%</b> | <b>18.65%</b> |

## Ratios/Supplemental Data

|   |                      |           |           |           |             |             |
|---|----------------------|-----------|-----------|-----------|-------------|-------------|
| Ratio of Operating<br>Expenses to Average<br>Net Assets           | 0.98% <sup>(4)</sup> | 0.98%     | 0.97%     | 0.95%     | 0.93%       | 0.93%       |
| Ratio of Net Investment<br>Income (Loss) to<br>Average Net Assets | 1.71% <sup>(4)</sup> | 2.16%     | 2.31%     | 2.46%     | 1.65%       | 1.58%       |
| Portfolio Turnover Rate   | 33%                  | 69%       | 54%       | 111%      | 152%        | 132%        |
| Net Assets, End of Period<br>(in thousands)                       | \$376,977            | \$385,638 | \$673,058 | \$797,196 | \$1,470,148 | \$1,971,620 |

(1) Six months ended June 30, 2011 (unaudited).

(2) Computed using average shares outstanding throughout the period.

(3) Total returns are calculated based on the net asset value of the last business day. Total returns for periods less than one year are not annualized.

(4) Annualized.

See Notes to Financial Statements.

## Class II

### For a Share Outstanding Throughout the Years Ended December 31 (except as noted)

|  | 2011 <sup>(1)</sup> | 2010          | 2009          | 2008            | 2007           | 2006          |
|--|---------------------|---------------|---------------|-----------------|----------------|---------------|
| <b>Per-Share Data</b>                          |                     |               |               |                 |                |               |
| Net Asset Value,<br>Beginning of Period        | \$5.86              | \$5.29        | \$4.68        | \$7.46          | \$8.73         | \$8.19        |
| Income From<br>Investment Operations           |                     |               |               |                 |                |               |
| Net Investment<br>Income (Loss) <sup>(2)</sup> | 0.05                | 0.11          | 0.10          | 0.14            | 0.12           | 0.12          |
| Net Realized and<br>Unrealized Gain (Loss)     | 0.19                | 0.57          | 0.76          | (1.93)          | (0.54)         | 1.25          |
| Total From<br>Investment Operations            | 0.24                | 0.68          | 0.86          | (1.79)          | (0.42)         | 1.37          |
| Distributions                                  |                     |               |               |                 |                |               |
| From Net<br>Investment Income                  | (0.07)              | (0.11)        | (0.25)        | (0.15)          | (0.13)         | (0.10)        |
| From Net Realized Gains                        | —                   | —             | —             | (0.84)          | (0.72)         | (0.73)        |
| Total Distributions                            | (0.07)              | (0.11)        | (0.25)        | (0.99)          | (0.85)         | (0.83)        |
| Net Asset Value,<br>End of Period              | \$6.03              | \$5.86        | \$5.29        | \$4.68          | \$7.46         | \$8.73        |
| <b>Total Return<sup>(3)</sup></b>              | <b>4.06%</b>        | <b>13.04%</b> | <b>19.72%</b> | <b>(26.80)%</b> | <b>(5.31)%</b> | <b>18.46%</b> |

### Ratios/Supplemental Data

|   |                      |           |           |           |           |           |
|---|----------------------|-----------|-----------|-----------|-----------|-----------|
| Ratio of Operating<br>Expenses to Average<br>Net Assets           | 1.13% <sup>(4)</sup> | 1.13%     | 1.12%     | 1.10%     | 1.08%     | 1.08%     |
| Ratio of Net Investment<br>Income (Loss) to<br>Average Net Assets | 1.56% <sup>(4)</sup> | 2.01%     | 2.16%     | 2.31%     | 1.50%     | 1.43%     |
| Portfolio Turnover Rate   | 33%                  | 69%       | 54%       | 111%      | 152%      | 132%      |
| Net Assets, End of Period<br>(in thousands)                       | \$408,794            | \$409,296 | \$480,382 | \$442,933 | \$765,324 | \$840,512 |

(1) Six months ended June 30, 2011 (unaudited).

(2) Computed using average shares outstanding throughout the period.

(3) Total returns are calculated based on the net asset value of the last business day. Total returns for periods less than one year are not annualized.

(4) Annualized.

See Notes to Financial Statements.

## Class III

### For a Share Outstanding Throughout the Years Ended December 31 (except as noted)

|   | 2011 <sup>(1)</sup> | 2010          | 2009          | 2008            | 2007           | 2006          |
|---|---------------------|---------------|---------------|-----------------|----------------|---------------|
| <b>Per-Share Data</b>                       |                     |               |               |                 |                |               |
| Net Asset Value, Beginning of Period        | \$5.86              | \$5.28        | \$4.68        | \$7.47          | \$8.74         | \$8.20        |
| Income From Investment Operations           |                     |               |               |                 |                |               |
| Net Investment Income (Loss) <sup>(2)</sup> | 0.05                | 0.12          | 0.11          | 0.14            | 0.13           | 0.13          |
| Net Realized and Unrealized Gain (Loss)     | 0.18                | 0.58          | 0.75          | (1.93)          | (0.54)         | 1.26          |
| Total From Investment Operations            | 0.23                | 0.70          | 0.86          | (1.79)          | (0.41)         | 1.39          |
| Distributions                               |                     |               |               |                 |                |               |
| From Net Investment Income                  | (0.07)              | (0.12)        | (0.26)        | (0.16)          | (0.14)         | (0.12)        |
| From Net Realized Gains                     | —                   | —             | —             | (0.84)          | (0.72)         | (0.73)        |
| Total Distributions                         | (0.07)              | (0.12)        | (0.26)        | (1.00)          | (0.86)         | (0.85)        |
| Net Asset Value, End of Period              | \$6.02              | \$5.86        | \$5.28        | \$4.68          | \$7.47         | \$8.74        |
| <b>Total Return<sup>(3)</sup></b>           | <b>3.96%</b>        | <b>13.42%</b> | <b>19.86%</b> | <b>(26.78)%</b> | <b>(5.14)%</b> | <b>18.65%</b> |

### Ratios/Supplemental Data

|   |                      |         |         |         |          |          |
|---|----------------------|---------|---------|---------|----------|----------|
| Ratio of Operating Expenses to Average Net Assets           | 0.98% <sup>(4)</sup> | 0.98%   | 0.97%   | 0.95%   | 0.93%    | 0.93%    |
| Ratio of Net Investment Income (Loss) to Average Net Assets | 1.71% <sup>(4)</sup> | 2.16%   | 2.31%   | 2.46%   | 1.65%    | 1.58%    |
| Portfolio Turnover Rate                                     | 33%                  | 69%     | 54%     | 111%    | 152%     | 132%     |
| Net Assets, End of Period (in thousands)                    | \$7,663              | \$7,984 | \$6,049 | \$6,191 | \$10,381 | \$16,931 |

(1) Six months ended June 30, 2011 (unaudited).

(2) Computed using average shares outstanding throughout the period.

(3) Total returns are calculated based on the net asset value of the last business day. Total returns for periods less than one year are not annualized.

(4) Annualized.

See Notes to Financial Statements.

## Approval of Management Agreement

At a meeting held on June 9, 2011, the Fund's Board of Directors unanimously approved the renewal of the management agreement pursuant to which American Century Investment Management, Inc. (the "Advisor") acts as the investment advisor for the Fund. Under Section 15(c) of the Investment Company Act, contracts for investment advisory services are required to be reviewed, evaluated, and approved by a majority of a fund's independent directors (the "Directors") each year.

As a part of the approval process, the Board requested and reviewed extensive data and information compiled by the Advisor and certain independent providers of evaluation data concerning the Fund and the services provided to the Fund by the Advisor. This review was in addition to the oversight and evaluation undertaken by the Board and its committees on a continuous basis throughout the year and included, but was not limited to the following:

- the nature, extent, and quality of investment management, shareholder services, and other services provided by the Advisor to the Fund;
- the wide range of other programs and services the Advisor provides to the Fund and its shareholders on a routine and non-routine basis;
- the investment performance of the fund, including data comparing the Fund's performance to appropriate benchmarks and/or a peer group of other mutual funds with similar investment objectives and strategies;
- data comparing the cost of owning the Fund to the cost of owning similar funds;
- the Advisor's compliance policies, procedures, and regulatory experience;
- financial data showing the cost of services provided to the Fund, the profitability of the Fund to the Advisor, and the overall profitability of the Advisor;
- data comparing services provided and charges to other investment management clients of the Advisor; and
- consideration of collateral benefits derived by the Advisor from the management of the Fund and any potential economies of scale relating thereto.

In keeping with its practice, the Board held two in-person meetings and one telephonic meeting to review and discuss the information provided. The Directors also had the benefit of the advice of independent counsel throughout the period.

### **Factors Considered**

The Directors considered all of the information provided by the Advisor, the independent data providers, and independent counsel, and evaluated such information for the Fund. In connection with their review, the Directors did not identify any single factor as being all-important or controlling, and each Director may have attributed different levels of importance to different factors. In deciding to renew the management agreement, the Board based its decision on a number of factors, including the following:

**Nature, Extent and Quality of Services – Generally.** Under the management agreement, the Advisor is responsible for providing or arranging for all services necessary for the operation of the Fund. The Board noted that under the management agreement, the Advisor provides or arranges at its own expense a wide variety of services including:

- constructing and designing the Fund
- portfolio research and security selection
- initial capitalization/funding
- securities trading
- Fund administration
- custody of Fund assets
- daily valuation of the Fund’s portfolio
- shareholder servicing and transfer agency, including shareholder confirmations, recordkeeping, and communications
- legal services
- regulatory and portfolio compliance
- financial reporting
- marketing and distribution

The Board noted that many of these services have expanded over time both in terms of quantity and complexity in response to shareholder demands, competition in the industry, changing distribution channels, and the changing regulatory environment.

**Investment Management Services.** The nature of the investment management services provided to the Fund is quite complex and allows Fund shareholders access to professional money management, instant diversification of their investments within an asset class, the opportunity to easily diversify among asset classes by investing in or exchanging among various American Century Investments funds, and liquidity. In evaluating investment performance, the Board expects the Advisor to manage the Fund in accordance with its investment objectives and approved strategies. Further, the Directors recognize that the Advisor has an obligation to monitor trading activities, and in particular to seek the best execution of fund trades, and to evaluate the use of and payment for research. In providing these services, the Advisor utilizes teams of investment professionals (portfolio managers, analysts, research assistants, and securities traders) who require extensive information technology, research, training, compliance and other systems to conduct their business. The Board, directly and through its Fund Performance Review Committee, regularly reviews investment performance information for the Fund, together with comparative information for appropriate benchmarks and/or peer groups of similarly-managed funds, over different

time horizons. The Directors also review detailed performance information during the management agreement approval process. If performance concerns are identified, the Fund receives special reviews until performance improves, during which the Board discusses with the Advisor the reasons for such results (e.g., market conditions, security selection) and any efforts being undertaken to improve performance. Taking all these factors into consideration, the Board found the investment management services provided by the Advisor to the Fund to meet or exceed industry standards. More detailed information about the Fund's performance can be found in the *Performance* section of this report.

**Shareholder and Other Services.** Under the management agreement, the Advisor provides the Fund with a comprehensive package of transfer agency, shareholder, and other services. The Board, directly and through various committees of the Board, regularly reviews reports and evaluations of such services at its regular meetings. These reports include, but are not limited to, information regarding the operational efficiency and accuracy of the shareholder and transfer agency services provided, staffing levels, shareholder satisfaction (as measured by external as well as internal sources), technology support, new products and services offered to Fund shareholders, securities trading activities, portfolio valuation services, auditing services, and legal and operational compliance activities. Certain aspects of shareholder and transfer agency service level efficiency and the quality of securities trading activities are measured by independent third party providers and are presented in comparison to other fund groups not managed by the Advisor. The Board found the services provided by the Advisor to the Fund under the management agreement to be competitive and of high quality.

**Costs of Services and Profitability.** The Advisor provides detailed information concerning its cost of providing various services to the Fund, its profitability in managing the Fund, its overall profitability, and its financial condition. The Directors have reviewed with the Advisor the methodology used to prepare this financial information. The financial information regarding the Advisor is considered in evaluating the Advisor's financial condition, ability to continue to provide services under the management agreement, and the reasonableness of the current management fee. The Board concluded that the Advisor's profits were reasonable in light of the services provided to the Fund.

**Ethics.** The Board generally considers the Advisor's commitment to providing quality services to shareholders and to conducting its business ethically. They noted that the Advisor's practices generally meet or exceed industry best practices.

**Economies of Scale.** The Board also reviewed information provided by the Advisor regarding the possible existence of economies of scale in connection with the management of the Fund. The Board concluded that economies of scale are difficult to measure and predict with precision, especially on a fund-by-fund basis. The Board concluded that the Advisor is appropriately sharing economies of scale through its competitive fee structure, offering competitive fees from fund inception, and through reinvestment in its business to provide shareholders additional content and services.

**Comparison to Other Funds' Fees.** The management agreement provides that the Fund pay the Advisor a single, all-inclusive (or unified) management fee for providing all services necessary for the management and operation of the Fund, other than brokerage expenses, taxes, interest, extraordinary expenses, and the fees and expenses of the Fund's independent directors (including their independent legal counsel) and expenses incurred in connection with the provision of shareholder services and distribution services under a plan adopted pursuant to Rule 12b-1 under the 1940 Act. Under the unified fee structure, the Advisor is responsible for providing all investment advisory, custody, audit, administrative, compliance, recordkeeping, marketing and shareholder services, or arranging and supervising third parties to provide such services. By contrast, most other funds are charged a variety of fees, including an investment advisory fee, a transfer agency fee, an administrative fee, distribution charges and other expenses. Other than their investment advisory fees and any applicable Rule 12b-1 distribution fees, all other components of the total fees charged by these other funds may be increased without shareholder approval. The Board believes the unified fee structure is a benefit to Fund shareholders because it clearly discloses to shareholders the cost of owning Fund shares, and, since the unified fee cannot be increased without a vote of Fund shareholders, it shifts to the Advisor the risk of increased costs of operating the Fund and provides a direct incentive to minimize administrative inefficiencies. Part of the Board's analysis of fee levels involves reviewing certain evaluative data compiled by an independent provider and comparing the Fund's unified fee to the total expense ratio of other funds in the Fund's peer group. The Board concluded that the management fee paid by the Fund to the Advisor under the management agreement is reasonable in light of the services provided to the Fund.

**Comparison to Fees and Services Provided to Other Clients of the Advisor.** The Board also requested and received information from the Advisor concerning the nature of the services, fees, costs and profitability of its advisory services to advisory clients other than the Fund. They observed that these varying types of client accounts require different services and involve different regulatory and entrepreneurial risks than the management of the Fund. The Board analyzed this information and concluded that the fees charged and services provided to the Fund were reasonable by comparison.

**Collateral or "Fall-Out" Benefits Derived by the Advisor.** The Board considered the existence of collateral benefits the Advisor may receive as a result of its relationship with the Fund. They concluded that the Advisor's primary business is managing mutual funds and it generally does not use fund or shareholder information to generate profits in other lines of business, and therefore does not derive any significant collateral benefits from them. The Board noted that the Advisor receives proprietary research from broker-dealers that execute fund portfolio transactions and concluded that this research is likely to benefit Fund shareholders. The Board also determined that the Advisor is able to provide investment management services to certain clients other than the Fund, at least in part, due to its existing infrastructure built to serve the fund complex. The Board concluded, however, that the assets of those other clients are not material to the analysis and, where applicable, may be included with the assets of the Fund to determine breakpoints in the management fee schedule.

**Existing Relationship.** The Board also considered whether there was any reason for not continuing the existing arrangement with the Advisor. In this regard, the Board was mindful of the potential disruptions of the Fund's operations and various risks, uncertainties, and other effects that could occur as a result of a decision not to continue such relationship. In particular, the Board recognized that most shareholders have invested in the Fund on the strength of the Advisor's industry standing and reputation and in the expectation that the Advisor will have a continuing role in providing advisory services to the Fund.

**Conclusion of the Directors.** As a result of this process, the Board, including all of the independent directors, taking into account all of the factors discussed above and the information provided by the Advisor and others, concluded that the management agreement between the Fund and the Advisor is fair and reasonable in light of the services provided and should be renewed.

## Additional Information

### **Proxy Voting Guidelines**

American Century Investment Management, Inc., the fund's investment advisor, is responsible for exercising the voting rights associated with the securities purchased and/or held by the fund. A description of the policies and procedures the advisor uses in fulfilling this responsibility is available without charge, upon request, by calling 1-800-378-9878. It is also available on American Century Investments' website at [americancentury.com](http://americancentury.com) and on the Securities and Exchange Commission's website at [sec.gov](http://sec.gov). Information regarding how the investment advisor voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available on the "About Us" page at [americancentury.com](http://americancentury.com). It is also available at [sec.gov](http://sec.gov).

### **Quarterly Portfolio Disclosure**

The fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year on Form N-Q. The fund's Forms N-Q are available on the SEC's website at [sec.gov](http://sec.gov), and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. The fund also makes its complete schedule of portfolio holdings for the most recent quarter of its fiscal year available on its website at [ipro.americancentury.com](http://ipro.americancentury.com) (for Investment Professionals) and, upon request, by calling 1-800-378-9878.

## Notes

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## Contact Us

americencentury.com

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Automated Information Line 1-800-345-8765

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Investment Professional Service Representatives 1-800-345-6488

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Telecommunications Device for the Deaf 1-800-634-4113

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### American Century Variable Portfolios, Inc.

#### Investment Advisor:

American Century Investment Management, Inc.  
Kansas City, Missouri

*This report and the statements it contains are submitted for the general information of our shareholders. The report is not authorized for distribution to prospective investors unless preceded or accompanied by an effective prospectus.*