

June 30, 2011

Oppenheimer

# High Income Fund/VA

A Series of Oppenheimer Variable Account Funds

Semiannual  
Report

## SEMIANNUAL REPORT

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**OppenheimerFunds®**  
The Right Way to Invest

# OPPENHEIMER HIGH INCOME FUND/VA

**Portfolio Manager:** Joseph Welsh

## Cumulative Total Returns

**For the 6-Month Period Ended 6/30/11**

Non-Service Shares	4.86%	Class 3	5.28%
Service Shares	5.10	Class 4	5.01

## Average Annual Total Returns

**For the Periods Ended 6/30/11**

	1-Year	5-Year	10-Year
Non-Service Shares	16.94%	-19.24%	-7.18%
			Since Inception (9/18/01)
Service Shares	17.14%	-19.17%	-7.24%
			Since Inception (5/1/07)
Class 3	17.34%	N/A	-24.40%
Class 4	16.92	N/A	-24.36

## Expense Ratios

**For the Fiscal Year Ended 12/31/10**

	Gross Expense Ratios	Net Expense Ratios
Non-Service Shares	0.98%	0.69%
Service Shares	1.23	0.94
Class 3	0.99	0.69
Class 4	1.23	0.94

**The performance data quoted represents past performance, which does not guarantee future results.** *The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance and expense ratios may be lower or higher than the data quoted. For performance data current to the most recent month end, call us at 1.800.988.8287. The Fund's total returns should not be expected to be the same as the returns of other funds, whether or not both funds have the same portfolio managers and/or similar names. The Fund's total returns do not include the charges associated with the separate account products that offer this Fund. Such performance would have been lower if such charges were taken into account. The net expense ratios take into account voluntary fee waivers and/or expense reimbursements, without which performance would have been less. Some of these undertakings may be modified or terminated at any time, as indicated in the Fund's prospectus. Expense ratios are as stated in the Fund's prospectus, current as of the date of this report.*

## Corporate Bonds & Notes—Top Ten Industries

Media	7.4%
Oil, Gas & Consumable Fuels	6.4
Hotels, Restaurants & Leisure	6.3
Capital Markets	6.2
Paper & Forest Products	4.6
Aerospace & Defense	4.2
Health Care Providers & Services	3.1
Chemicals	3.0
Food Products	2.9
Energy Equipment & Services	2.7

**Portfolio holdings and allocations are subject to change. Percentages are as of June 30, 2011, and are based on net assets.**

## Credit Allocation

Credit Rating Breakdown	NRSRO Only Total
AAA	2.3%
BBB	1.2
BB	10.7
B	55.8
CCC	22.6
CC	1.7
Unrated	5.7
Total	100.0%

The percentages above are based on the market value of the Fund's securities as of June 30, 2011, and are subject to change. Except for securities labeled "Unrated" and except for certain securities issued or guaranteed by a foreign sovereign or supranational entity, all securities have been rated by at least one Nationally Recognized Statistical Rating Organization ("NRSRO"), such as Standard & Poor's ("S&P"). For securities rated only by an NRSRO other than S&P, OppenheimerFunds, Inc. converts that rating to the equivalent S&P rating. If two or more NRSROs have assigned a rating to a security, the highest S&P equivalent rating is used. Unrated securities issued or guaranteed by a foreign sovereign or supranational entity are assigned a credit rating equal to the highest NRSRO rating assigned to that foreign sovereign or supranational entity. Fund assets invested in Oppenheimer Institutional Money Market Fund are assigned that fund's S&P rating, which is currently AAA. For the purposes of this Credit Allocation table, "investment-grade" securities are securities rated within the NRSROs' four highest rating categories, which include AAA, AA, A and BBB. Unrated securities do not necessarily indicate low credit quality, and may or may not be the equivalent of investment-grade. Please consult the Fund's prospectus for further information. Additional information can be found in the Fund's Statement of Additional Information.

# FUND PERFORMANCE DISCUSSION

During the reporting period, the Fund's Non-Service Shares returned 4.86%. The Fund underperformed the JPMorgan Domestic High Yield Index (the "Index"), which returned 5.44% and performed in line with the BofA Merrill Lynch High Yield Master Index, which returned 4.89%.

## **Economic and Market Overview**

At the beginning of the reporting period, encouraging data from the U.S. labor market, including a declining unemployment rate, seemed to indicate that the long-awaited revival of consumer and business confidence was at hand. The global economy also appeared to provide reasons for an upbeat outlook. In Europe, policymakers continued to take measures to contain the sovereign debt problems of peripheral Europe, and in February strong corporate earnings led to an upward revision of the European Central Bank's 2011 growth forecast. Fears that had surfaced in 2010 over rising inflationary pressures in the fast-growing emerging markets lessened to a degree as the new year began.

While the markets generally performed well in the first four months of 2011, a number of dramatic global events created increased market volatility. A wave of political unrest in North Africa and the Middle East sparked worries that disruptions in oil production might derail the global economic recovery. Although energy prices surged higher, investors retained their optimism, and riskier assets, such as stocks and higher-yielding fixed-income securities, generally continued to rally. Investors encountered another unexpected shock on March 11, when a catastrophic natural disaster followed by a nuclear crisis hit Japan, one of the world's largest economies and a key exporter of industrial components to many countries and industries, including U.S. automobile manufacturers. However, the disruptions to the global supply chain proved significantly less severe than originally anticipated and, after a brief pullback, the markets continued to climb higher.

In April 2011, market concerns resurfaced when Greece again teetered on the brink of defaulting on its sovereign debt, rekindling worries from 2010 that fiscal instability might spread to other parts of Europe. At the same time, a debate regarding government spending and borrowing intensified in the United States, causing a renewed sense of uncertainty among businesses and consumers as the August 2 deadline to raise the U.S. Government's debt ceiling loomed. Additionally, the Fed's latest round of quantitative easing measures labeled "QE2" officially ended on June 30, further contributing to questions around what the Fed's next move would be. As a result, by period end, job creation had slowed to a crawl, the unemployment rate moved higher and consumers reined in spending. Despite the volatility and dramatic headlines, overall the global markets finished the second half of the reporting period in positive territory, reflective of healthy balance sheets of many multinational corporations, continued growth in developing markets and the ongoing economic recoveries in the U.S., Canada and in much of Western Europe.

## **Fund Review**

During the reporting period, the Fund continued to have a tilt towards higher-yielding securities versus the Index. This positioning allowed the Fund to perform well over the first half of the period when riskier asset classes continued to rally and outperform historically defensive securities. However, as investors became more risk averse in the second half of the period, high-yield bonds witnessed a significant sell-off and the Fund's performance pulled back to a degree.

For the overall six-month period, the Fund outperformed the Index in a number of sectors, led by the utility, paper and packaging, and retail sectors. The Fund's security selection in all three sectors outperformed versus the Index. Within retail, the Fund's underweight positioning to a weaker performing sector of the Index also contributed to relative outperformance. Security selection also accounted for outperformance versus the Index in other sectors, including transportation, energy, automotive, cable and satellite, among others.

While most sectors of the Index produced positive total returns for the Fund, a few sectors finished the period in the negative. Diversified media, consumer products and gaming, lodging and leisure lost value during the period and were top detractors from relative performance. The Fund underperformed the Index in each of these sectors as a result of weaker relative security selection. These sectors were among those harder hit by a dampening of consumer sentiment, uncertainty over the direction of the global economy, and a reining in of consumer spending.

# FUND PERFORMANCE DISCUSSION

## Outlook

Our outlook for high yield bonds remains positive, both on an absolute basis and relative to more defensive asset classes, such as U.S. Treasuries and money market securities, given the historically low rates currently available in those historically defensive areas. We believe that high yield bonds are poised to resume their positive performance as valuations appear fair and fundamentals have continued to improve.

We continue to believe that outperformance may be achieved through diligent credit selection and thoughtful industry sector weightings. Indeed, an environment of sustained low rates and gradually improving fundamentals should play well to the team's value-oriented process, a process that evaluates market opportunities on a security-by-security basis. At period end, the Fund's largest overweights relative to the Index were in broadcasting, paper and packaging, and industrials. We believe that these industries have the potential to perform well as they currently offer attractive prices and improving fundamentals. Meanwhile, the Fund's most significant underweights were in energy, retail, cable and satellite, and financials, as we suspect these sectors could struggle going forward.

*Please remember that bonds are exposed to credit and interest rate risks (when interest rates rise, bond/fund prices generally fall). The Fund may invest in below-investment-grade ("junk") bonds, which are more at risk of default and are subject to liquidity risk. Mortgage-related securities have greater potential for loss when interest rates rise. The Fund also invests in derivative instruments, investments whose values depend on the performance of an underlying security, asset, interest rate or currency and entail potentially higher volatility and risk of loss compared to traditional stock or bond investments. See the prospectus for more information on the risks associated with investing in the Fund.*

Investors should consider the Fund's investment objectives, risks, and charges and expenses carefully before investing. The Fund's prospectus and, if available, the Fund's summary prospectus contain this and other information about the Fund, and may be obtained by asking your financial advisor or calling us at 1.800.988.8287. Read the prospectus and, if available, the summary prospectus, carefully before investing.

Total returns include changes in share price and reinvestment of dividends and capital gains distributions in a hypothetical investment for the periods shown. Cumulative total returns are not annualized.

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

Shares of Oppenheimer funds are not deposits or obligations of any bank, are not guaranteed by any bank, are not insured by the FDIC or any other agency, and involve investment risks, including the possible loss of the principal amount invested.

# FUND EXPENSES

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

The examples are based on an investment of \$1,000.00 invested at the beginning of the period and held for the entire 6-month period ended June 30, 2011.

**Actual Expenses.** The first section of the table provides information about actual account values and actual expenses. You may use the information in this section for the class of shares you hold, together with the amount you invested, to estimate the expense that you paid over the period. Simply divide your account value by \$1,000.00 (for example, an \$8,600.00 account value divided by \$1,000.00 = 8.60), then multiply the result by the number in the first section under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

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

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any charges associated with the separate accounts that offer this Fund. Therefore, the "hypothetical" lines of the table are useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these separate account charges were included your costs would have been higher.

# FUND EXPENSES Continued

<b>Actual</b>	<b>Beginning Account Value January 1, 2011</b>	<b>Ending Account Value June 30, 2011</b>	<b>Expenses Paid During 6 Months Ended June 30, 2011</b>
Non-Service Shares	\$1,000.00	\$1,048.60	\$3.82
Service shares	1,000.00	1,051.00	5.10
Class 3	1,000.00	1,052.80	3.82
Class 4	1,000.00	1,050.10	5.10
<b>Hypothetical</b>			
(5% return before expenses)			
Non-Service Shares	1,000.00	1,021.08	3.77
Service shares	1,000.00	1,019.84	5.02
Class 3	1,000.00	1,021.08	3.77
Class 4	1,000.00	1,019.84	5.02

Expenses are equal to the Fund's annualized expense ratio for that class, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period). Those annualized expense ratios, excluding indirect expenses from affiliated fund, based on the 6-month period ended June 30, 2011 are as follows:

<b>Class</b>	<b>Expense Ratios</b>
Non-Service Shares	0.75%
Service shares	1.00
Class 3	0.75
Class 4	1.00

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

# STATEMENT OF INVESTMENTS

June 30, 2011 / Unaudited

	Principal Amount	Value
<b>Corporate Bonds and Notes—87.7%</b>		
<b>Consumer Discretionary—19.3%</b>		
<b>Auto Components—2.2%</b>		
Goodyear Tire & Rubber Co. (The), 8.25% Sr. Unsec. Unsub. Nts., 8/15/20	\$ 610,000	\$ 661,850
Tower Automotive Holdings USA LLC/TA Holdings Finance, Inc., 10.625% Sr. Sec. Nts., 9/1/17 <sup>1</sup>	1,450,000	1,569,625
Visteon Corp., 6.75% Sr. Nts., 4/15/19 <sup>2</sup>	690,000	669,300
		2,900,775
<b>Hotels, Restaurants &amp; Leisure—6.3%</b>		
Equinox Holdings, Inc., 9.50% Sr. Sec. Nts., 2/1/16 <sup>2</sup>	350,000	369,250
Harrah's Operating Co., Inc., 10% Sr. Sec. Nts., 12/15/18	2,808,000	2,548,243
HOA Restaurants Group LLC/HOA Finance Corp., 11.25% Sr. Sec. Nts., 4/1/17 <sup>2</sup>	660,000	666,600
Isle of Capri Casinos, Inc.: 7% Sr. Unsec. Sub. Nts., 3/1/14 7.75% Sr. Unsec. Nts., 3/15/19 <sup>2</sup>	240,000 675,000	239,100 685,125
Landry's Restaurants, Inc., 11.625% Sr. Sec. Nts., 12/1/15	455,000	489,125
MGM Mirage, Inc.: 5.875% Sr. Nts., 2/27/14 6.625% Sr. Unsec. Nts., 7/15/15	430,000 975,000	415,488 918,938
Mohegan Tribal Gaming Authority, 8% Sr. Sub. Nts., 4/1/12	1,070,000	872,050
Penn National Gaming, Inc., 8.75% Sr. Unsec. Sub. Nts., 8/15/19	435,000	475,238
Station Casinos, Inc., 6.50% Sr. Unsec. Sub. Nts., 2/1/14 <sup>3</sup>	2,595,000	—
Travelport LLC, 11.875% Sr. Unsec. Sub. Nts., 9/1/16	750,000	648,750
		8,327,907
<b>Household Durables—1.2%</b>		
Beazer Homes USA, Inc.: 6.875% Sr. Unsec. Nts., 7/15/15 9.125% Sr. Nts., 5/15/19 <sup>2</sup>	280,000 790,000	249,900 683,350
Reynolds Group Issuer, Inc./Reynolds Group Issuer LLC/Reynolds Group Issuer Luxembourg SA: 8.50% Sr. Nts., 5/15/18 <sup>2</sup> 9% Sr. Nts., 4/15/19 <sup>2</sup>	320,000 325,000	316,000 322,563
		1,571,813
<b>Leisure Equipment &amp; Products—1.7%</b>		
Eastman Kodak Co., 9.75% Sr. Sec. Nts., 3/1/18 <sup>2</sup>	2,355,000	2,260,800

	Principal Amount	Value
<b>Media—7.4%</b>		
Affinion Group Holdings, Inc., 11.625% Sr. Nts., 11/15/15 <sup>2</sup>	\$ 420,000	\$ 422,100
Affinion Group, Inc., 7.875% Sr. Nts., 12/15/18 <sup>2</sup>	760,000	714,400
Belo (A.H.) Corp.: 7.25% Sr. Unsec. Unsub. Bonds, 9/15/27 7.75% Sr. Unsec. Unsub. Debs., 6/1/27	115,000 719,000	103,213 677,658
CCO Holdings LLC/CCO Holdings Capital Corp.: 7% Sr. Nts., 1/15/19 <sup>2</sup> 7% Sr. Unsec. Unsub. Nts., 1/15/19	115,000 80,000	118,738 82,800
Cengage Learning Acquisitions, Inc.: 10.50% Sr. Nts., 1/15/15 <sup>2</sup> 13.25% Sr. Sub. Nts., 7/15/15 <sup>2</sup>	825,000 355,000	750,750 321,275
Cequel Communications Holdings I LLC, 8.625% Sr. Unsec. Nts., 11/15/17 <sup>2</sup>	620,000	647,900
Clear Channel Communications, Inc.: 9% Sr. Nts., 3/1/21 <sup>2</sup> 10.75% Sr. Unsec. Unsub. Nts., 8/1/16	335,000 690,000	322,438 626,175
Cumulus Media, Inc., 7.75% Sr. Nts., 5/1/19 <sup>2</sup>	350,000	339,500
Entravision Communications Corp., 8.75% Sr. Sec. Nts., 8/1/17	315,000	327,600
Gray Television, Inc., 10.50% Sr. Sec. Nts., 6/29/15	1,235,000	1,290,575
Interactive Data Corp., 10.25% Sr. Nts., 8/1/18 <sup>1</sup>	230,000	253,575
Kabel BW Erste Beteiligungs GmbH/Kabel Baden-Wuerttemberg GmbH & Co. KG, 7.50% Sr. Sec. Nts., 3/15/19 <sup>2</sup>	395,000	404,875
Newport Television LLC/NTV Finance Corp., 13.509% Sr. Nts., 3/15/17 <sup>2,4</sup>	657,281	683,572
Nexstar Broadcasting, Inc./Mission Broadcasting, Inc., 8.875% Sec. Nts., 4/15/17	535,000	565,763
Sinclair Television Group, Inc., 8.375% Sr. Unsec. Nts., 10/15/18	705,000	743,775
Visant Corp., 10% Sr. Unsec. Nts., 10/1/17	320,000	332,800
		9,729,482
<b>Textiles, Apparel &amp; Luxury Goods—0.5%</b>		
Jones Group, Inc. (The)/Jones Apparel Group Holdings, Inc./Jones Apparel Group USA, Inc./JAG Footwear, Accessories & Retail Corp., 6.875% Sr. Unsec. Unsub. Nts., 3/15/19	600,000	582,000

# STATEMENT OF INVESTMENTS

Unaudited / Continued

	Principal Amount	Value
<b>Consumer Staples—2.9%</b>		
<b>Food &amp; Staples Retailing—0.0%</b>		
Real Time Data Co., 11% Nts., 5/31/09 <sup>1,3,4</sup>	\$ 476,601	\$ —
<b>Food Products—2.9%</b>		
American Seafoods Group LLC, 10.75% Sr. Sub. Nts., 5/15/16 <sup>2</sup>	925,000	980,500
ASG Consolidated LLC, 15% Sr. Nts., 5/15/17 <sup>2,4</sup>	1,118,635	1,191,346
Blue Merger Sub, Inc., 7.625% Sr. Nts., 2/15/19 <sup>2</sup>	675,000	685,125
Bumble Bee Acquisition Corp., 9% Sr. Sec. Nts., 12/15/17 <sup>2</sup>	280,000	282,800
Southern States Cooperative, Inc., 11.25% Sr. Nts., 5/15/15 <sup>1</sup>	690,000	755,550
		3,895,321
<b>Energy—9.1%</b>		
<b>Energy Equipment &amp; Services—2.7%</b>		
Forbes Energy Services Ltd., 9% Sr. Unsec. Nts., 6/15/19 <sup>2</sup>	475,000	470,250
Global Geophysical Services, Inc., 10.50% Sr. Unsec. Nts., 5/1/17	615,000	648,825
Offshore Group Investments Ltd.: 11.50% Sr. Sec. Nts., 8/1/15	605,000	660,963
11.50% Sr. Sec. Nts., 8/1/15 <sup>2</sup>	160,000	174,800
Precision Drilling Corp., 6.625% Sr. Unsec. Nts., 11/15/20	565,000	573,475
SESI LLC, 6.375% Sr. Nts., 5/1/19 <sup>2</sup>	970,000	962,725
		3,491,038
<b>Oil, Gas &amp; Consumable Fuels—6.4%</b>		
ATP Oil & Gas Corp., 11.875% Sr. Sec. Nts., 5/1/15	1,165,000	1,188,300
Breitbart Energy Partners LP/Breitbart Finance Corp., 8.625% Sr. Unsec. Nts., 10/15/20	665,000	704,900
Chaparral Energy, Inc., 9.875% Sr. Unsec. Nts., 10/1/20	640,000	694,400
James River Coal Co., 7.875% Sr. Nts., 4/1/19 <sup>2</sup>	160,000	159,200
Linn Energy LLC/Linn Energy Finance Corp., 8.625% Sr. Unsec. Nts., 4/15/20	1,110,000	1,209,900
MEG Energy Corp., 6.50% Sr. Unsec. Nts., 3/15/21 <sup>2</sup>	795,000	801,956
Murray Energy Corp., 10.25% Sr. Sec. Nts., 10/15/15 <sup>2</sup>	1,575,000	1,661,625
Quicksilver Resources, Inc., 11.75% Sr. Nts., 1/1/16	645,000	741,750

	Principal Amount	Value
<b>Oil, Gas &amp; Consumable Fuels</b> Continued		
SandRidge Energy, Inc.:		
8.75% Sr. Unsec. Nts., 1/15/20	\$ 560,000	\$ 599,200
9.875% Sr. Unsec. Nts., 5/15/16 <sup>2</sup>	305,000	336,263
Venoco, Inc., 8.875% Sr. Unsec. Nts., 2/15/19 <sup>2</sup>	345,000	346,725
		8,444,219
<b>Financials—11.6%</b>		
<b>Capital Markets—6.2%</b>		
Berry Plastics Holding Corp., 10.25% Sr. Unsec. Sub. Nts., 3/1/16	300,000	293,250
Edgen Murray Corp., 12.25% Sr. Sec. Nts., 1/15/15	360,000	364,500
Nationstar Mortgage LLC/Nationstar Capital Corp., 10.875% Sr. Nts., 4/1/15 <sup>2</sup>	2,255,000	2,356,475
Nuveen Investments, Inc.:		
5.50% Sr. Unsec. Nts., 9/15/15	535,000	472,138
10.50% Sr. Unsec. Unsub. Nts., 11/15/15	640,000	657,600
Pinafore LLC/Pinafore, Inc., 9% Sr. Sec. Nts., 10/1/18 <sup>2</sup>	1,250,000	1,353,125
Springleaf Finance Corp., 6.90% Nts., Series J, 12/15/17	705,000	650,363
Verso Paper Holdings LLC, 11.375% Sr. Unsec. Sub. Nts., Series B, 8/1/16	1,500,000	1,398,750
Verso Paper Holdings LLC/Verso Paper, Inc., 8.75% Sr. Sec. Nts., 2/1/19 <sup>2</sup>	625,000	559,375
		8,105,576
<b>Consumer Finance—0.8%</b>		
Speedy Cash, Inc., 10.75% Sr. Sec. Nts., 10/15/18 <sup>2</sup>	430,000	441,825
TMX Finance LLC/TitleMax Finance Corp., 13.25% Sr. Sec. Nts., 7/15/15	570,000	642,675
		1,084,500
<b>Diversified Financial Services—0.8%</b>		
GMAC LLC, 8% Sr. Unsec. Nts., 11/1/31	375,000	407,813
ING Groep NV, 5.775% Jr. Unsec. Sub. Perpetual Bonds <sup>5</sup>	695,000	642,875
		1,050,688
<b>Insurance—0.6%</b>		
International Lease Finance Corp.:		
8.625% Sr. Unsec. Unsub. Nts., 9/15/15 <sup>6</sup>	410,000	445,875
8.75% Sr. Unsec. Unsub. Nts., 3/15/17 <sup>6</sup>	350,000	383,688
		829,563
<b>Real Estate Investment Trusts—1.8%</b>		
FelCor Escrow Holdings LLC, 6.75% Sr. Sec. Nts., 6/1/19 <sup>2</sup>	1,735,000	1,674,275
OMEGA Healthcare Investors, Inc., 6.75% Sr. Unsec. Nts., 10/15/22 <sup>2</sup>	695,000	688,919
		2,363,194

	Principal Amount	Value
<b>Real Estate Management &amp; Development—1.4%</b>		
Realogy Corp., 11.50% Sr. Unsec. Unsub. Nts., 4/15/17	\$ 1,220,000	\$ 1,244,400
Wallace Theater Holdings, Inc., 12.50% Sr. Sec. Nts., 6/15/13 <sup>2,6</sup>	530,000	520,725
		1,765,125
<b>Health Care—5.9%</b>		
<b>Biotechnology—0.1%</b>		
Grifols SA/Giant Funding Corp., 8.25% Sr. Nts., 2/1/18 <sup>2</sup>	195,000	204,263
<b>Health Care Equipment &amp; Supplies—1.9%</b>		
Accellent, Inc., 10% Sr. Unsec. Sub. Nts., 11/1/17	570,000	561,450
Alere, Inc., 8.625% Sr. Unsec. Sub. Nts., 10/1/18	290,000	297,250
Biomet, Inc.: 10.375% Sr. Unsec. Nts., 10/15/17 <sup>4</sup>	460,000	509,450
11.625% Sr. Unsec. Sub. Nts., 10/15/17	275,000	305,938
DJO Finance LLC/DJO Finance Corp., 9.75% Sr. Sub. Nts., 10/15/17 <sup>2</sup>	520,000	530,400
Inverness Medical Innovations, Inc., 7.875% Sr. Unsec. Unsub. Nts., 2/1/16	290,000	301,600
		2,506,088
<b>Health Care Providers &amp; Services—3.1%</b>		
Catalent Pharma Solutions, Inc., 9.50% Sr. Unsec. Nts., 4/15/15 <sup>4</sup>	445,151	447,377
Gentiva Health Services, Inc., 11.50% Sr. Unsec. Unsub. Nts., 9/1/18	575,000	609,500
inVentiv Health, Inc., 10% Sr. Unsec. Nts., 8/15/18 <sup>2</sup>	370,000	363,525
Kindred Healthcare, Inc., 8.25% Sr. Nts., 6/1/19 <sup>2</sup>	860,000	860,000
Multiplan, Inc., 9.875% Sr. Nts., 9/1/18 <sup>2</sup>	460,000	491,050
Oncure Holdings, Inc., 11.75% Sr. Sec. Nts., 5/15/17	315,000	326,813
Radiation Therapy Services, Inc., 9.875% Sr. Unsec. Sub. Nts., 4/15/17	335,000	336,256
STHI Holding Corp., 8% Sec. Nts., 3/15/18 <sup>2</sup>	200,000	204,000
US Oncology, Inc., Escrow Shares (related to 9.125% Sr. Sec. Nts., 8/15/17)	435,000	9,788
Vanguard Health Holding Co. II LLC/Vanguard Holding Co. II, Inc., 8% Sr. Nts., 2/1/18	375,000	389,063
		4,037,372
<b>Health Care Technology—0.1%</b>		
MedAssets, Inc., 8% Sr. Nts., 11/15/18 <sup>2</sup>	75,000	74,625

	Principal Amount	Value
<b>Pharmaceuticals—0.7%</b>		
Valeant Pharmaceuticals International, Inc., 6.875% Sr. Unsec. Nts., 12/1/18 <sup>2</sup>	\$ 190,000	\$ 187,150
Warner Chilcott Co. LLC, 7.75% Sr. Nts., 9/15/18 <sup>2</sup>	800,000	811,000
		998,150
<b>Industrials—12.8%</b>		
<b>Aerospace &amp; Defense—4.2%</b>		
BE Aerospace, Inc., 6.875% Sr. Nts., 10/1/20	220,000	231,550
DynCorp International, Inc., 10.375% Sr. Unsec. Nts., 7/1/17 <sup>2</sup>	1,210,000	1,246,300
Hawker Beechcraft Acquisition Co. LLC: 8.50% Sr. Unsec. Nts., 4/1/15	1,405,000	1,106,438
9.75% Sr. Unsec. Sub. Nts., 4/1/17	240,000	169,200
Kratos Defense & Security Solutions, Inc.: 10% Sr. Sec. Nts., 6/1/17	235,000	249,100
10% Sr. Sec. Nts., 6/1/17	257,000	272,420
TransDigm, Inc., 7.75% Sr. Sub. Nts., 12/15/18 <sup>2</sup>	1,245,000	1,313,475
Triumph Group, Inc., 8.625% Sr. Unsec. Nts., 7/15/18	895,000	985,619
		5,574,102
<b>Air Freight &amp; Logistics—0.4%</b>		
AMGH Merger Sub, Inc., 9.25% Sr. Sec. Nts., 11/1/18 <sup>2</sup>	510,000	540,600
<b>Building Products—1.0%</b>		
Associated Materials LLC, 9.125% Sr. Sec. Nts., 11/1/17 <sup>2</sup>	265,000	265,000
Ply Gem Industries, Inc., 13.125% Sr. Unsec. Sub. Nts., 7/15/14	930,000	981,150
Roofing Supply Group LLC/Roofing Supply Finance, Inc., 8.625% Sr. Sec. Nts., 12/1/17 <sup>2</sup>	75,000	75,281
		1,321,431
<b>Commercial Services &amp; Supplies—1.1%</b>		
R. R. Donnelley & Sons Co., 7.25% Sr. Nts., 5/15/18	560,000	560,140
West Corp.: 7.875% Sr. Nts., 1/15/19 <sup>2</sup>	305,000	296,613
8.625% Sr. Unsec. Nts., 10/1/18 <sup>2</sup>	635,000	644,525
		1,501,278
<b>Electrical Equipment—0.5%</b>		
Thermon Industries, Inc., 9.50% Sr. Sec. Nts., 5/1/17	541,000	582,928
<b>Machinery—2.4%</b>		
Cleaver-Brooks, Inc., 12.25% Sr. Sec. Nts., 5/1/16 <sup>2</sup>	680,000	703,800

# STATEMENT OF INVESTMENTS

Unaudited / Continued

	Principal Amount	Value
<b>Machinery</b> Continued		
Manitowoc Co., Inc. (The), 8.50% Sr. Unsec. Nts., 11/1/20	\$ 685,000	\$ 734,663
Terex Corp., 8% Sr. Unsec. Sub. Nts., 11/15/17	1,335,000	1,375,050
Thermadyne Holdings Corp., 9% Sr. Sec. Nts., 12/15/17 <sup>2</sup>	335,000	351,750
		3,165,263
<b>Marine—0.9%</b>		
Marquette Transportation Co./ Marquette Transportation Finance Corp., 10.875% Sec. Nts., 1/15/17	780,000	789,750
Navios Maritime Acquisition Corp., 8.625% Sr. Sec. Nts., 11/1/17	195,000	193,050
Navios Maritime Holdings, Inc./ Navios Maritime Finance U.S., Inc., 8.875% Sr. Sec. Nts., 11/1/17	160,000	165,600
		1,148,400
<b>Professional Services—0.5%</b>		
Altegrity, Inc., 10.50% Sr. Unsec. Sub. Nts., 11/1/15 <sup>2</sup>	510,000	530,400
TransUnion LLC/TransUnion Financing Corp., 11.375% Sr. Unsec. Nts., 6/15/18	150,000	170,250
		700,650
<b>Road &amp; Rail—1.8%</b>		
Hertz Corp., 7.50% Sr. Unsec. Nts., 10/15/18 <sup>2</sup>	1,285,000	1,329,975
Western Express, Inc., 12.50% Sr. Sec. Nts., 4/15/15 <sup>2</sup>	1,045,000	992,750
		2,322,725
<b>Information Technology—5.9%</b>		
<b>Computers &amp; Peripherals—0.9%</b>		
Seagate HDD Cayman: 6.875% Sr. Unsec. Nts., 5/1/20 <sup>2</sup>	650,000	648,375
7% Sr. Unsec. Nts., 11/1/21 <sup>2</sup>	475,000	477,375
		1,125,750
<b>Electronic Equipment &amp; Instruments—1.1%</b>		
CDW LLC/CDW Finance Corp.: 11% Sr. Unsec. Nts., 10/12/15	85,000	89,888
12.535% Sr. Unsec. Sub. Nts., 10/12/17	1,310,000	1,418,075
		1,507,963
<b>Internet Software &amp; Services—1.0%</b>		
ITC DeltaCom, Inc., 10.50% Sr. Sec. Nts., 4/1/16	1,245,000	1,307,250

	Principal Amount	Value
<b>IT Services—1.7%</b>		
Ceridian Corp., 11.25% Sr. Unsec. Nts., 11/15/15	\$ 535,000	\$ 537,675
First Data Corp.: 8.875% Sr. Sec. Nts., 8/15/20 <sup>2</sup>	395,000	423,638
9.875% Sr. Unsec. Nts., 9/24/15	1,075,000	1,109,938
SunGard Data Systems, Inc., 7.625% Sr. Unsec. Nts., 11/15/20	190,000	192,850
		2,264,101
<b>Semiconductors &amp; Semiconductor Equipment—1.2%</b>		
Advanced Micro Devices, Inc., 7.75% Sr. Unsec. Nts., 8/1/20	315,000	326,025
Freescale Semiconductor, Inc., 10.75% Sr. Unsec. Nts., 8/1/20 <sup>2</sup>	1,065,000	1,208,775
		1,534,800
<b>Materials—11.0%</b>		
<b>Chemicals—3.0%</b>		
Ferro Corp., 7.875% Sr. Unsec. Nts., 8/15/18	635,000	661,988
Hexion U.S. Finance Corp./Hexion Nova Scotia Finance ULC: 8.875% Sr. Sec. Nts., 2/1/18	800,000	836,000
9% Sec. Nts., 11/15/20	380,000	391,400
Lyondell Chemical Co., 8% Sr. Sec. Nts., 11/1/17 <sup>2</sup>	716,000	798,340
Momentive Performance Materials, Inc., 9% Sec. Nts., 1/15/21	1,255,000	1,286,375
		3,974,103
<b>Construction Materials—0.7%</b>		
Building Materials Corp. of America, 6.75% Sr. Nts., 5/1/21 <sup>2</sup>	435,000	438,263
Ply Gem Industries, Inc., 8.25% Sr. Sec. Nts., 2/15/18 <sup>2</sup>	540,000	514,350
		952,613
<b>Containers &amp; Packaging—1.8%</b>		
Berry Plastics Corp., 9.75% Sec. Nts., 1/15/21	940,000	914,150
Polymer Group, Inc., 7.75% Sr. Sec. Nts., 2/1/19 <sup>2</sup>	650,000	654,875
Solo Cup Co., 8.50% Sr. Sub. Nts., 2/15/14	755,000	707,813
		2,276,838
<b>Metals &amp; Mining—0.9%</b>		
Aleris International, Inc., 7.625% Sr. Nts., 2/15/18 <sup>2</sup>	1,200,000	1,203,000

	Principal Amount	Value
<b>Paper &amp; Forest Products—4.6%</b>		
ABI Escrow Corp., 10.25% Sr. Sec. Nts., 10/15/18 <sup>2</sup>	\$ 423,000	\$ 460,013
Ainsworth Lumber Co. Ltd., 11% Sr. Unsec. Unsub. Nts., 7/29/15 <sup>2,4</sup>	1,094,375	1,017,769
Appleton Papers, Inc., 10.50% Sr. Sec. Nts., 6/15/15 <sup>2</sup>	1,325,000	1,387,938
Catalyst Paper Corp., 11% Sr. Sec. Nts., 12/15/16 <sup>2</sup>	1,117,000	960,620
Mercer International, Inc., 9.50% Sr. Unsec. Nts., 12/1/17	570,000	614,175
NewPage Corp., 11.375% Sr. Sec. Nts., 12/31/14	1,370,000	1,284,375
Norske Skogindustrier ASA, 6.125% Unsec. Bonds, 10/15/15 <sup>2</sup>	375,000	310,313
		6,035,203
<b>Telecommunication Services—4.1%</b>		
<b>Diversified Telecommunication Services—2.5%</b>		
Broadview Networks Holdings, Inc., 11.375% Sr. Sec. Nts., 9/1/12	340,000	323,850
Cincinnati Bell, Inc.:		
8.25% Sr. Nts., 10/15/17	305,000	308,050
8.75% Sr. Unsec. Sub. Nts., 3/15/18	350,000	334,250
Intelsat Bermuda Ltd.:		
11.25% Sr. Unsec. Nts., 2/4/17	635,000	683,419
12.50% Sr. Unsec. Nts., 2/4/17 <sup>4</sup>	328,710	354,185
Level 3 Financing, Inc., 9.375% Sr. Unsec. Unsub. Nts., 4/1/19 <sup>2</sup>	975,000	1,009,125
Windstream Corp., 8.125% Sr. Unsec. Unsub. Nts., 9/1/18	305,000	324,825
Winstar Communications, Inc., 12.75% Sr. Nts., 4/15/10 <sup>3</sup>	1,000,000	—
		3,337,704
<b>Wireless Telecommunication Services—1.6%</b>		
Cricket Communications, Inc., 7.75% Sr. Unsec. Nts., 10/15/20	1,310,000	1,287,075
MetroPCS Wireless, Inc., 6.625% Sr. Unsec. Nts., 11/15/20	780,000	774,150
		2,061,225
<b>Utilities—5.1%</b>		
<b>Electric Utilities—2.6%</b>		
Edison Mission Energy, 7% Sr. Unsec. Nts., 5/15/17	1,065,000	867,975
Energy Future Intermediate Holding Co. LLC, 10% Sr. Sec. Nts., 12/1/20	757,000	810,714
Texas Competitive Electric Holdings Co. LLC:		
10.25% Sr. Unsec. Nts., Series A, 11/1/15	2,325,000	1,418,250
10.25% Sr. Unsec. Nts., Series B, 11/1/15	410,000	248,050
		3,344,989

	Principal Amount	Value
<b>Energy Traders—2.4%</b>		
Energy Future Holdings Corp., 10% Sr. Sec. Nts., 1/15/20	\$ 780,000	\$ 831,446
First Wind Capital LLC, 10.25% Sr. Sec. Nts., 6/1/18 <sup>2</sup>	75,000	76,125
Foresight Energy LLC, 9.625% Sr. Unsec. Nts., 8/15/17 <sup>2</sup>	1,295,000	1,380,794
GenOn Energy, Inc.:		
9.50% Sr. Unsec. Nts., 10/15/18	415,000	433,675
9.875% Sr. Unsec. Nts., 10/15/20	415,000	435,750
United Maritime Group LLC, 11.75% Sr. Sec. Nts., 6/15/15	15,000	15,750
		3,173,540
<b>Gas Utilities—0.1%</b>		
Ferrelgas LP/Ferrelgas Finance Corp., 6.50% Sr. Nts., 5/1/21 <sup>2</sup>	170,000	161,500
Total Corporate Bonds and Notes (Cost \$114,408,633)		115,340,455
	<b>Shares</b>	
<b>Preferred Stocks—1.9%</b>		
Ally Financial, Inc., 7%, Non-Vtg. <sup>2</sup>	1,479	1,390,075
GMAC Capital Trust I, 8.125% Cum.	10,000	256,000
Greentown Superholdings, Inc., Series A-1 <sup>7</sup>	11,550	826,287
Total Preferred Stocks (Cost \$2,657,315)		2,472,362
<b>Common Stocks—3.6%</b>		
AbitibiBowater, Inc. <sup>7</sup>	27,638	561,051
American Media Operations, Inc. <sup>7</sup>	58,065	929,040
Dana Holding Corp. <sup>7</sup>	19,738	361,205
Gaylord Entertainment Co., Cl. A <sup>7</sup>	21,382	641,460
Global Aviation Holdings, Inc. <sup>7</sup>	300	3,000
Greentown Superholdings, Inc. <sup>7</sup>	874	58,165
Kaiser Aluminum Corp.	458	25,016
Linn Energy LLC	9,065	354,170
LyondellBasell Industries NV, Cl. A	18,740	721,865
Orbcomm, Inc. <sup>7</sup>	1,127	3,528
Visteon Corp. <sup>7</sup>	15,377	1,051,941
Total Common Stocks (Cost \$6,225,583)		4,710,441
	<b>Units</b>	
<b>Rights, Warrants and Certificates—0.1%</b>		
ASG Warrant Corp. Wts., Strike Price \$0.01, Exp. 5/15/18 <sup>17</sup>	1,030	128,750
MediaNews Group, Inc. Wts., Strike Price \$0.001, Exp. 3/19/17 <sup>7</sup>	11,017	396
Total Rights, Warrants and Certificates (Cost \$49,050)		129,146

# STATEMENT OF INVESTMENTS

Unaudited / Continued

	Principal Amount	Value
<b>Loan Participations—2.0%</b>		
Brock Holdings III, Inc., Sr. Sec. Credit Facilities 2nd Lien Term Loan, 10%, 2/15/18 <sup>6</sup>	\$ 155,000	\$ 158,875
Entegra Holdings LLC, Sr. Sec. Credit Facilities 3rd Lien Term Loan, Tranche B, 4.655%, 10/19/15 <sup>4,6</sup>	2,444,195	1,717,047
Nuveen Investments, Inc., Sr. Sec. Credit Facilities 2nd Lien Term Loan, 12.50%, 7/31/15	696,875	743,914
Total Loan Participations (Cost \$2,272,201)		2,619,836

	Shares	Value
<b>Investment Company—2.3%</b>		
Oppenheimer Institutional Money Market Fund, Cl. E, 0.15% <sup>8,9</sup> (Cost \$2,999,927)	2,999,927	\$ 2,999,927
<b>Total Investments, at Value (Cost \$128,612,709)</b>	97.6%	128,272,167
<b>Other Assets Net of Liabilities</b>	2.4	3,160,347
<b>Net Assets</b>	<b>100.0%</b>	<b>\$131,432,514</b>

## Footnotes to Statement of Investments

1. Restricted security. The aggregate value of restricted securities as of June 30, 2011 was \$2,707,500, which represents 2.06% of the Fund's net assets. See Note 5 of the accompanying Notes. Information concerning restricted securities is as follows:

Security	Acquisition Dates	Cost	Value	Unrealized Appreciation (Depreciation)
ASG Warrant Corp. Wts., Strike Price \$0.01, Exp. 5/15/18	4/28/10-8/19/10	\$ 49,050	\$ 128,750	\$ 79,700
Interactive Data Corp., 10.25% Sr. Nts., 8/1/18	7/20/10	230,000	253,575	23,575
Real Time Data Co., 11% Nts., 5/31/09	6/30/99-5/31/01	365,810	—	(365,810)
Southern States Cooperative, Inc., 11.25% Sr. Nts., 5/15/15	4/28/10-5/4/11	703,577	755,550	51,973
Tower Automotive Holdings USA LLC/TA Holdings Finance, Inc., 10.625% Sr. Sec. Nts., 9/1/17	8/13/10-5/3/11	1,441,862	1,569,625	127,763
		<b>\$2,790,299</b>	<b>\$2,707,500</b>	<b>\$(82,799)</b>

2. Represents securities sold under Rule 144A, which are exempt from registration under the Securities Act of 1933, as amended. These securities have been determined to be liquid under guidelines established by the Board of Trustees. These securities amount to \$52,884,315 or 40.24% of the Fund's net assets as of June 30, 2011.

3. This security is not accruing income because the issuer has missed an interest payment on it and/or is not anticipated to make future interest and/or principal payments. The rate shown is the original contractual interest rate. See Note 1 of the accompanying Notes.

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

5. This bond has no contractual maturity date, is not redeemable and contractually pays an indefinite stream of interest. Rate reported represents the current interest rate for this variable rate security.

6. Represents the current interest rate for a variable or increasing rate security.

7. Non-income producing security.

8. Is or was an affiliate, as defined in the Investment Company Act of 1940, at or during the period ended June 30, 2011, by virtue of the Fund owning at least 5% of the voting securities of the issuer or as a result of the Fund and the issuer having the same investment adviser. Transactions during the period in which the issuer was an affiliate are as follows:

	Shares December 31, 2010	Gross Additions	Gross Reductions	Shares June 30, 2011
Oppenheimer Institutional Money Market Fund, Cl. E	4,033,152	32,523,279	33,556,504	2,999,927
			Value	Income
Oppenheimer Institutional Money Market Fund, Cl. E			\$2,999,927	\$4,188

9. Rate shown is the 7-day yield as of June 30, 2011.

## Valuation Inputs

Various data inputs are used in determining the value of each of the Fund's investments as of the reporting period end. These data inputs are categorized in the following hierarchy under applicable financial accounting standards:

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

## Footnotes to Statement of Investments Continued

The table below categorizes amounts that are included in the Fund's Statement of Assets and Liabilities as of June 30, 2011 based on valuation input level:

	Level 1— Unadjusted Quoted Prices	Level 2— Other Significant Observable Inputs	Level 3— Significant Unobservable Inputs	Value
<b>Assets Table</b>				
<b>Investments, at Value:</b>				
Corporate Bonds and Notes	\$ —	\$ 115,340,455	\$ —	\$ 115,340,455
Preferred Stocks	—	1,646,075	826,287	2,472,362
Common Stocks	2,668,295	1,980,981	61,165	4,710,441
Rights, Warrants and Certificates	—	128,750	396	129,146
Loan Participations	—	2,619,836	—	2,619,836
Investment Company	2,999,927	—	—	2,999,927
<b>Total Assets</b>	<b>\$5,668,222</b>	<b>\$121,716,097</b>	<b>\$887,848</b>	<b>\$128,272,167</b>

Currency contracts and forwards, if any, are reported at their unrealized appreciation/depreciation at measurement date, which represents the change in the contract's value from trade date. Futures, if any, are reported at their variation margin at measurement date, which represents the amount due to/from the Fund at that date. All additional assets and liabilities included in the above table are reported at their market value at measurement date.

The following is a reconciliation of assets in which significant unobservable inputs (level 3) were used in determining fair value:

	Value as of December 31, 2010	Realized gain (loss)	Change in unrealized appreciation/ depreciation	Purchase	Sales	Transfer out of Level 3	Value as of June 30, 2011
<b>Assets Table</b>							
<b>Investments, at Value:</b>							
Common Stocks	\$ 1,036,161	\$ (208,776)	\$ 964,574	\$ —	\$ —	\$ (1,730,794)	\$ 61,165
Corporate Bonds	87,082	(457,059)	(834,139)	1,312,570	(108,454)	—	—
Preferred Stock	1,226,957	(1,097,476)	696,806	—	—	—	826,287
Rights, Warrants and Certificates	403	(3,172,834)	3,172,827	—	—	—	396
<b>Total Assets</b>	<b>\$2,350,603</b>	<b>\$(4,936,145)</b>	<b>\$4,000,068</b>	<b>\$1,312,570</b>	<b>\$(108,454)</b>	<b>\$(1,730,794)</b>	<b>\$887,848</b>

The total change in unrealized appreciation/depreciation included in the statement of operations attributable to level 3 investments still held at June 30, 2011 includes:

	Change in unrealized appreciation/ depreciation
Corporate Bonds and Notes	\$ (261)
Preferred Stocks	(328,713)
Common Stocks	(28,204)
Rights, Warrants and Certificates	396
<b>Total</b>	<b>\$(27,808)</b>

See the accompanying Notes for further discussion of the methods used in determining value of the Fund's investments, and a summary of changes to the valuation methodologies, if any, during the reporting period.

See accompanying Notes to Financial Statements.

# STATEMENT OF ASSETS AND LIABILITIES Unaudited

June 30, 2011

<b>Assets</b>	
Investments, at value—see accompanying statement of investments:	
Unaffiliated companies (cost \$125,612,782)	\$ 125,272,240
Affiliated companies (cost \$2,999,927)	2,999,927
	<u>128,272,167</u>
Receivables and other assets:	
Interest, dividends and principal paydowns	2,640,094
Shares of beneficial interest sold	693,312
Other	71,689
	<u>131,677,262</u>
<b>Liabilities</b>	
Bank overdraft	11,965
Payables and other liabilities:	
Shares of beneficial interest redeemed	73,879
Shareholder communications	71,931
Distribution and service plan fees	45,591
Trustees' compensation	13,324
Transfer and shareholder servicing agent fees	11,059
Legal, auditing and other professional fees	10,391
Other	6,608
	<u>244,748</u>
<b>Net Assets</b>	<b><u><u>\$131,432,514</u></u></b>

## Composition of Net Assets

Par value of shares of beneficial interest	\$ 64,032
Additional paid-in capital	353,756,829
Accumulated net investment income	5,311,861
Accumulated net realized loss on investments	(227,359,666)
Net unrealized depreciation on investments	(340,542)
<b>Net Assets</b>	<b><u><u>\$131,432,514</u></u></b>

## Net Asset Value Per Share

Non-Service Shares:	
Net asset value, redemption price per share and offering price per share (based on net assets of \$54,637,007 and 26,742,258 shares of beneficial interest outstanding)	\$2.04
Service Shares:	
Net asset value, redemption price per share and offering price per share (based on net assets of \$63,084,409 and 30,684,244 shares of beneficial interest outstanding)	\$2.06
Class 3 Shares:	
Net asset value, redemption price per share and offering price per share (based on net assets of \$5,368,558 and 2,603,334 shares of beneficial interest outstanding)	\$2.06
Class 4 Shares:	
Net asset value, redemption price per share and offering price per share (based on net assets of \$8,342,540 and 4,001,676 shares of beneficial interest outstanding)	\$2.08

See accompanying Notes to Financial Statements.

# STATEMENT OF OPERATIONS Unaudited

For the Six Months Ended June 30, 2011

<b>Investment Income</b>	
Interest	\$ 6,243,825
Dividends:	
Unaffiliated companies (net of foreign withholding taxes of \$281)	59,907
Affiliated companies	4,188
Total investment income	<u>6,307,920</u>
<b>Expenses</b>	
Management fees	523,573
Distribution and service plan fees:	
Service shares	80,087
Class 4 shares	10,794
Transfer and shareholder servicing agent fees:	
Non-Service shares	30,240
Service shares	32,040
Class 3 shares	3,205
Class 4 shares	4,324
Shareholder communications:	
Non-Service shares	15,935
Service shares	16,787
Class 3 shares	1,687
Class 4 shares	2,261
Trustees' compensation	5,040
Custodian fees and expenses	4,891
Administration service fees	750
Other	27,973
Total expenses	759,587
Less waivers and reimbursements of expenses	(145,322)
Net expenses	<u>614,265</u>
<b>Net Investment Income</b>	<u>5,693,655</u>
<b>Realized and Unrealized Gain (Loss)</b>	
Net realized gain on investments from unaffiliated companies	1,969,470
Net change in unrealized appreciation/depreciation on investments	(440,958)
<b>Net Increase in Net Assets Resulting from Operations</b>	<u><u>\$7,222,167</u></u>

See accompanying Notes to Financial Statements.

# STATEMENTS OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2011 (Unaudited)	Year Ended December 31, 2010
<b>Operations</b>		
Net investment income	\$ 5,693,655	\$ 12,056,923
Net realized gain	1,969,470	6,278,337
Net change in unrealized appreciation/depreciation	(440,958)	(249,331)
Net increase in net assets resulting from operations	7,222,167	18,085,929
<b>Dividends and/or Distributions to Shareholders</b>		
Dividends from net investment income:		
Non-Service shares	(5,402,411)	(3,674,586)
Service shares	(5,518,442)	(3,877,767)
Class 3 shares	(555,527)	(304,126)
Class 4 shares	(704,748)	(385,856)
	(12,181,128)	(8,242,335)
<b>Beneficial Interest Transactions</b>		
Net increase (decrease) in net assets resulting from beneficial interest transactions:		
Non-Service shares	(4,780,413)	(10,126,348)
Service shares	1,618,779	(5,260,981)
Class 3 shares	(434,422)	929,124
Class 4 shares	1,104,519	(118,291)
	(2,491,537)	(14,576,496)
<b>Net Assets</b>		
Total decrease	(7,450,498)	(4,732,902)
Beginning of period	138,883,012	143,615,914
End of period (including accumulated net investment income of \$5,311,861 and \$11,799,334, respectively)	<b>\$131,432,514</b>	<b>\$138,883,012</b>

See accompanying Notes to Financial Statements.

# FINANCIAL HIGHLIGHTS

Non-Service Shares	Six Months	Year Ended December 31,				
	Ended June 30, 2011 (Unaudited)	2010	2009	2008	2007	2006
<b>Per Share Operating Data</b>						
Net asset value, beginning of period	\$ 2.13	\$ 1.98	\$ 1.58	\$ 7.95	\$ 8.55	\$ 8.44
Income (loss) from investment operations:						
Net investment income <sup>1</sup>	.09	.18	.17	.54	.57	.58
Net realized and unrealized gain (loss)	.01	.10	.23	(6.44)	(.56)	.17
Total from investment operations	.10	.28	.40	(5.90)	.01	.75
Dividends and/or distributions to shareholders:						
Dividends from net investment income	(.19)	(.13)	—	(.47)	(.61)	(.64)
Net asset value, end of period	<b>\$2.04</b>	<b>\$2.13</b>	<b>\$1.98</b>	<b>\$1.58</b>	<b>\$7.95</b>	<b>\$8.55</b>
<b>Total Return, at Net Asset Value<sup>2</sup></b>	4.86%	14.81%	25.32%	(78.67)%	(0.10)%	9.42%
<b>Ratios/Supplemental Data</b>						
Net assets, end of period (in thousands)	\$54,637	\$61,563	\$67,385	\$111,040	\$294,819	\$361,445
Average net assets (in thousands)	\$60,968	\$59,598	\$71,782	\$211,186	\$335,702	\$365,154
Ratios to average net assets: <sup>3</sup>						
Net investment income	8.29%	9.01%	9.78%	9.30%	6.96%	7.05%
Total expenses <sup>4</sup>	0.96%	0.98%	0.94%	0.80%	0.75%	0.74%
Expenses after payments, waivers and/or reimbursements and reduction to custodian expenses	0.75%	0.69%	0.57%	0.78%	0.74%	0.74%
Portfolio turnover rate	33%	132%	128%	53% <sup>5</sup>	67% <sup>5</sup>	57%

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

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

3. Annualized for periods less than one full year.

4. Total expenses including indirect expenses from affiliated fund were as follows:

Six Months Ended June 30, 2011	0.96%
Year Ended December 31, 2010	0.98%
Year Ended December 31, 2009	0.96%
Year Ended December 31, 2008	0.80%
Year Ended December 31, 2007	0.76%
Year Ended December 31, 2006	0.74%

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

	Purchase Transactions	Sale Transactions
Year Ended December 31, 2008	\$40,240,084	\$ 41,196,921
Year Ended December 31, 2007	\$30,798,147	\$24,096,458

See accompanying Notes to Financial Statements.

# FINANCIAL HIGHLIGHTS Continued

Service Shares	Six Months	Year Ended December 31,				
	Ended June 30, 2011 (Unaudited)	2010	2009	2008	2007	2006
<b>Per Share Operating Data</b>						
Net asset value, beginning of period	\$ 2.14	\$ 1.99	\$ 1.58	\$ 7.89	\$ 8.50	\$ 8.39
Income (loss) from investment operations:						
Net investment income <sup>1</sup>	.08	.17	.16	.54	.55	.56
Net realized and unrealized gain (loss)	.03	.10	.25	(6.40)	(.57)	.17
Total from investment operations	.11	.27	.41	(5.86)	(.02)	.73
Dividends and/or distributions to shareholders:						
Dividends from net investment income	(.19)	(.12)	—	(.45)	(.59)	(.62)
Net asset value, end of period	<b>\$2.06</b>	<b>\$2.14</b>	<b>\$1.99</b>	<b>\$1.58</b>	<b>\$7.89</b>	<b>\$8.50</b>
<b>Total Return, at Net Asset Value<sup>2</sup></b>	5.10%	14.44%	25.95%	(78.57)%	(0.47)%	9.23%
<b>Ratios/Supplemental Data</b>						
Net assets, end of period (in thousands)	\$63,084	\$63,713	\$64,440	\$ 43,375	\$157,333	\$173,299
Average net assets (in thousands)	\$64,593	\$63,661	\$54,202	\$116,236	\$169,569	\$160,703
Ratios to average net assets: <sup>3</sup>						
Net investment income	8.04%	8.76%	9.60%	9.13%	6.71%	6.80%
Total expenses <sup>4</sup>	1.21%	1.23%	1.21%	1.05%	1.01%	1.00%
Expenses after payments, waivers and/or reimbursements and reduction to custodian expenses	1.00%	0.94%	0.80%	1.03%	1.00%	1.00%
Portfolio turnover rate	33%	132%	128%	53% <sup>5</sup>	67% <sup>5</sup>	57%

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

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

3. Annualized for periods less than one full year.

4. Total expenses including indirect expenses from affiliated fund were as follows:

Six Months Ended June 30, 2011	1.21%
Year Ended December 31, 2010	1.23%
Year Ended December 31, 2009	1.23%
Year Ended December 31, 2008	1.05%
Year Ended December 31, 2007	1.02%
Year Ended December 31, 2006	1.00%

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

	Purchase Transactions	Sale Transactions
Year Ended December 31, 2008	\$40,240,084	\$ 41,196,921
Year Ended December 31, 2007	\$30,798,147	\$24,096,458

See accompanying Notes to Financial Statements.

Class 3 Shares	Six Months	Year Ended December 31,			
	Ended June 30, 2011 (Unaudited)	2010	2009	2008	2007 <sup>1</sup>
<b>Per Share Operating Data</b>					
Net asset value, beginning of period	\$ 2.14	\$ 1.99	\$ 1.57	\$ 7.98	\$ 8.26
Income (loss) from investment operations:					
Net investment income <sup>2</sup>	.09	.18	.17	.56	.37
Net realized and unrealized gain (loss)	.02	.10	.25	(6.50)	(.65)
Total from investment operations	.11	.28	.42	(5.94)	(.28)
Dividends and/or distributions to shareholders:					
Dividends from net investment income	(.19)	(.13)	—	(.47)	—
Net asset value, end of period	<b>\$2.06</b>	<b>\$2.14</b>	<b>\$1.99</b>	<b>\$1.57</b>	<b>\$7.98</b>
<b>Total Return, at Net Asset Value<sup>3</sup></b>	5.28%	14.69%	26.75%	(78.89)%	(3.39)%
<b>Ratios/Supplemental Data</b>					
Net assets, end of period (in thousands)	\$5,369	\$6,034	\$4,684	\$1,582	\$4,921
Average net assets (in thousands)	\$6,459	\$5,279	\$3,568	\$5,292	\$3,750
Ratios to average net assets: <sup>4</sup>					
Net investment income	8.29%	8.97%	9.86%	9.29%	6.90%
Total expenses <sup>5</sup>	0.96%	0.99%	0.97%	0.80%	0.76%
Expenses after payments, waivers and/or reimbursements and reduction to custodian expenses	0.75%	0.69%	0.53%	0.78%	0.75%
Portfolio turnover rate	33%	132%	128%	53% <sup>6</sup>	67% <sup>6</sup>

1. For the period from May 1, 2007 (inception of offering) to December 31, 2007.

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

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

4. Annualized for periods less than one full year.

5. Total expenses including indirect expenses from affiliated fund were as follows:

Six Months Ended June 30, 2011	0.96%
Year Ended December 31, 2010	0.99%
Year Ended December 31, 2009	0.99%
Year Ended December 31, 2008	0.80%
Period Ended December 31, 2007	0.77%

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

	Purchase Transactions	Sale Transactions
Year Ended December 31, 2008	\$40,240,084	\$ 41,196,921
Period Ended December 31, 2007	\$30,798,147	\$24,096,458

See accompanying Notes to Financial Statements.

# FINANCIAL HIGHLIGHTS Continued

Class 4 Shares	Six Months	Year Ended December 31,			
	Ended June 30, 2011 (Unaudited)	2010	2009	2008	2007 <sup>1</sup>
<b>Per Share Operating Data</b>					
Net asset value, beginning of period	\$ 2.16	\$ 2.01	\$ 1.59	\$ 7.97	\$ 8.26
Income (loss) from investment operations:					
Net investment income <sup>2</sup>	.09	.18	.16	.54	.36
Net realized and unrealized gain (loss)	.02	.09	.26	(6.46)	(.65)
Total from investment operations	.11	.27	.42	(5.92)	(.29)
Dividends and/or distributions to shareholders:					
Dividends from net investment income	(.19)	(.12)	—	(.46)	—
Net asset value, end of period	<b>\$2.08</b>	<b>\$2.16</b>	<b>\$2.01</b>	<b>\$1.59</b>	<b>\$7.97</b>
<b>Total Return, at Net Asset Value<sup>3</sup></b>	5.01%	14.27%	26.42%	(78.63)%	(3.51)%
<b>Ratios/Supplemental Data</b>					
Net assets, end of period (in thousands)	\$8,343	\$7,573	\$7,107	\$ 4,167	\$9,476
Average net assets (in thousands)	\$8,711	\$7,278	\$6,285	\$10,658	\$7,201
Ratios to average net assets: <sup>4</sup>					
Net investment income	8.04%	8.74%	9.62%	9.00%	6.61%
Total expenses <sup>5</sup>	1.21%	1.23%	1.19%	1.07%	1.05%
Expenses after payments, waivers and/or reimbursements and reduction to custodian expenses	1.00%	0.94%	0.80%	1.05%	1.04%
Portfolio turnover rate	33%	132%	128%	53% <sup>6</sup>	67% <sup>6</sup>

1. For the period from May 1, 2007 (inception of offering) to December 31, 2007.

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

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

4. Annualized for periods less than one full year.

5. Total expenses including indirect expenses from affiliated fund were as follows:

Six Months Ended June 30, 2011	1.21%
Year Ended December 31, 2010	1.23%
Year Ended December 31, 2009	1.21%
Year Ended December 31, 2008	1.07%
Period Ended December 31, 2007	1.06%

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

	Purchase Transactions	Sale Transactions
Year Ended December 31, 2008	\$40,240,084	\$ 41,196,921
Period Ended December 31, 2007	\$30,798,147	\$24,096,458

See accompanying Notes to Financial Statements.

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### 1. Significant Accounting Policies

Oppenheimer High Income Fund/VA (the “Fund”) is a separate series of Oppenheimer Variable Account Funds, an open-end management investment company registered under the Investment Company Act of 1940, as amended. The Fund’s investment objective is to seek a high level of current income from investment in high-yield, fixed-income securities. The Fund’s investment adviser is OppenheimerFunds, Inc. (the “Manager”).

The Fund offers Non-Service, Service, Class 3 and Class 4 shares. All classes are sold at their offering price, which is the net asset value per share, to separate investment accounts of participating insurance companies as an underlying investment for variable life insurance policies, variable annuity contracts or other investment products. The class of shares being designated as Service shares and Class 4 shares are subject to a distribution and service plan. All classes of shares have identical rights and voting privileges with respect to the Fund in general and exclusive voting rights on matters that affect that class alone. Earnings, net assets and net asset value per share may differ due to each class having its own expenses, such as transfer and shareholder servicing agent fees and shareholder communications, directly attributable to that class. The Fund assesses a 1% fee on the proceeds of Class 3 and Class 4 shares that are redeemed (either by selling or exchanging to another Oppenheimer fund or other investment option offered through your variable life insurance or variable annuity contract) within 60 days of their purchase. The fee, which is retained by the Fund, is accounted for as an addition to paid-in capital.

The following is a summary of significant accounting policies consistently followed by the Fund.

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**Securities Valuation.** The Fund calculates the net asset value of its shares as of the close of the New York Stock Exchange (the “Exchange”), normally 4:00 P.M. Eastern time, on each day the Exchange is open for trading.

Each investment asset or liability of the Fund is assigned a level at measurement date based on the significance and source of the inputs to its valuation. Unadjusted quoted prices in active markets for identical securities are classified as “Level 1,” observable market inputs other than unadjusted quoted prices are classified as “Level 2” and significant unobservable inputs, including the Manager’s judgment about the assumptions that a market participant would use in pricing an asset or liability, are classified as “Level 3.” The inputs used for valuing securities are not necessarily an indication of the risks associated with investing in those securities. A table summarizing the Fund’s investments under these levels of classification is included following the Statement of Investments.

Securities are valued using unadjusted quoted market prices, when available, as supplied primarily by portfolio pricing services approved by the Board of Trustees or dealers.

Securities traded on a registered U.S. securities exchange are valued based on the last sale price of the security reported on the principal exchange on which it is traded, prior to the time when the Fund’s assets are valued. Securities whose principal exchange is NASDAQ® are valued based on the official closing prices reported by NASDAQ prior to the time when the Fund’s assets are valued. In the absence of a sale, the security is valued at the last sale price on the prior trading day, if it is within the spread of the current day’s closing “bid” and “asked” prices, and if not, at the current day’s closing bid price. A foreign security traded on a foreign exchange is valued based on the last sale price on the principal exchange on which the security is traded, as identified by the portfolio pricing service used by the Manager, prior to the time when the Fund’s assets are valued. In the absence of a sale, the security is valued at the most recent official closing price on the principal exchange on which it is traded.

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

U.S. domestic and international debt instruments (including corporate, government, municipal, mortgage-backed, collateralized mortgage obligations and asset-backed securities) and “money market-type” debt instruments with a remaining maturity in excess of sixty days are valued at the mean between the “bid” and “asked” prices utilizing price quotations obtained from independent pricing services or broker-dealers. Such prices are typically determined based upon information obtained from market participants including reported trade data, broker-dealer price quotations and inputs such as benchmark yields and issuer spreads from identical or similar securities.

**1. Significant Accounting Policies** Continued

“Money market-type” debt instruments with remaining maturities of sixty days or less are valued at cost adjusted by the amortization of discount or premium to maturity (amortized cost), which approximates market value.

In the absence of a current price quotation obtained from an independent pricing service or broker-dealer, including for securities whose values have been materially affected by what the Manager identifies as a significant event occurring before the Fund’s assets are valued but after the close of the securities’ respective exchanges, the Manager, acting through its internal valuation committee, in good faith determines the fair valuation of that asset using consistently applied procedures under the supervision of the Board of Trustees (which reviews those fair valuations by the Manager). Those procedures include certain standardized methodologies to fair value securities. Such methodologies include, but are not limited to, pricing securities initially at cost and subsequently adjusting the value based on: changes in company specific fundamentals, changes in an appropriate securities index, or changes in the value of similar securities which may be adjusted for any discounts related to resale restrictions. When possible, such methodologies use observable market inputs such as unadjusted quoted prices of similar securities, observable interest rates, currency rates and yield curves. The methodologies used for valuing securities are not necessarily an indication of the risks associated with investing in those securities. As of June 30, 2011, the Manager determined the fair valuation of certain common and preferred stock based on internally developed models. Such investments have been classified as Level 3 instruments.

There have been no significant changes to the fair valuation methodologies of the Fund during the period.

**Credit Risk.** The Fund invests in high-yield, non-investment-grade bonds, which may be subject to a greater degree of credit risk. Credit risk relates to the ability of the issuer to meet interest or principal payments or both as they become due. The Fund may acquire securities that have missed an interest payment, and is not obligated to dispose of securities whose issuers or underlying obligors subsequently miss an interest payment. Information concerning securities not accruing interest as of June 30, 2011 is as follows:

Cost	\$2,446,880
Market Value	\$ —
Market Value as a % of Net Assets	0.00%

**Investment in Oppenheimer Institutional Money Market Fund.** The Fund is permitted to invest daily available cash balances in an affiliated money market fund. The Fund may invest the available cash in Class E shares of Oppenheimer Institutional Money Market Fund (“IMMF”) to seek current income while preserving liquidity. IMMF is a registered open-end management investment company, regulated as a money market fund under the Investment Company Act of 1940, as amended. The Manager is also the investment adviser of IMMF. When applicable, the Fund’s investment in IMMF is included in the Statement of Investments. Shares of IMMF are valued at their net asset value per share. As a shareholder, the Fund is subject to its proportional share of IMMF’s Class E expenses, including its management fee. The Manager will waive fees and/or reimburse Fund expenses in an amount equal to the indirect management fees incurred through the Fund’s investment in IMMF.

**Allocation of Income, Expenses, Gains and Losses.** Income, expenses (other than those attributable to a specific class), gains and losses are allocated on a daily basis to each class of shares based upon the relative proportion of net assets represented by such class. Operating expenses directly attributable to a specific class are charged against the operations of that class.

**Federal Taxes.** The Fund intends to comply with provisions of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its investment company taxable income, including any net realized gain on investments not offset by capital loss carryforwards, if any, to shareholders. Therefore, no federal income or excise tax provision is required. The Fund files income tax returns in U.S. federal and applicable state jurisdictions. The statute of limitations on the Fund’s tax return filings generally remain open for the three preceding fiscal reporting period ends.

During the fiscal year ended December 31, 2010, the Fund utilized \$4,432,223 of capital loss carryforward to offset capital gains realized in that fiscal year. As of December 31, 2010, the Fund had available for federal income tax purposes unused capital loss carryforwards as follows:

<u>Expiring</u>	
2011	\$ 8,529,303
2012	128,504
2016	48,495,519
2017	171,938,143
Total	<u>\$229,091,469</u>

As of June 30, 2011, the Fund had available for federal income tax purposes an estimated capital loss carryforward of \$227,121,999 expiring by 2017. This estimated capital loss carryforward represents carryforward as of the end of the last fiscal year, increased for losses deferred under tax accounting rules to the current fiscal year and is increased or decreased by capital losses or gains realized in the first six months of the current fiscal year. During the six months ended June 30, 2011, it is estimated that the Fund will utilize \$1,969,470 of capital loss carryforward to offset realized capital gains.

Net investment income (loss) and net realized gain (loss) may differ for financial statement and tax purposes. The character of dividends and distributions made during the fiscal year from net investment income or net realized gains may differ from their ultimate characterization for federal income tax purposes. Also, due to timing of dividends and distributions, the fiscal year in which amounts are distributed may differ from the fiscal year in which the income or net realized gain was recorded by the Fund.

The aggregate cost of securities and other investments and the composition of unrealized appreciation and depreciation of securities and other investments for federal income tax purposes as of June 30, 2011 are noted in the following table. The primary difference between book and tax appreciation or depreciation of securities and other investments, if applicable, is attributable to the tax deferral of losses or tax realization of financial statement unrealized gain or loss.

Federal tax cost of securities	<u>\$129,041,138</u>
Gross unrealized appreciation	\$ 5,594,028
Gross unrealized depreciation	(6,362,999)
Net unrealized depreciation	<u>\$ (768,971)</u>

The Regulated Investment Company Modernization Act of 2010 (the "Act") was signed into law on December 22, 2010. The Act makes changes to a number of tax rules impacting the Fund. Although the Act provides a number of benefits, including the unlimited carryover of future capital losses, there may be a greater likelihood that all or a portion of a fund's prior year capital loss carryovers will expire unused. In general, the provisions of the Act will be effective for the Fund's fiscal year ending 2012. Specific information regarding the impact of the Act on the Fund will be contained within the "Federal Taxes" section of the financial statement notes for the fiscal year ending 2012.

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

**1. Significant Accounting Policies** Continued

**Dividends and Distributions to Shareholders.** Dividends and distributions to shareholders, which are determined in accordance with income tax regulations and may differ from U.S. generally accepted accounting principles, are recorded on the ex-dividend date. Income and capital gain distributions, if any, are declared and paid annually or at other times as deemed necessary by the Manager. The tax character of distributions is determined as of the Fund’s fiscal year end. Therefore, a portion of the Fund’s distributions made to shareholders prior to the Fund’s fiscal year end may ultimately be categorized as a tax return of capital.

**Investment Income.** Dividend income is recorded on the ex-dividend date or upon ex-dividend notification in the case of certain foreign dividends where the ex-dividend date may have passed. Non-cash dividends included in dividend income, if any, are recorded at the fair market value of the securities received. Interest income is recognized on an accrual basis. Discount and premium, which are included in interest income on the Statement of Operations, are amortized or accreted daily.

**Custodian Fees.** “Custodian fees and expenses” in the Statement of Operations may include interest expense incurred by the Fund on any cash overdrafts of its custodian account during the period. Such cash overdrafts may result from the effects of failed trades in portfolio securities and from cash outflows resulting from unanticipated shareholder redemption activity. The Fund pays interest to its custodian on such cash overdrafts, to the extent they are not offset by positive cash balances maintained by the Fund, at a rate equal to the Federal Funds Rate plus 0.50%. The “Reduction to custodian expenses” line item, if applicable, represents earnings on cash balances maintained by the Fund during the period. Such interest expense and other custodian fees may be paid with these earnings.

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

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

**Other.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

**2. Shares of Beneficial Interest**

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

	Six Months Ended June 30, 2011		Year Ended December 31, 2010	
	Shares	Amount	Shares	Amount
<b>Non-Service Shares</b>				
Sold	2,139,222	\$ 4,549,354	11,152,476	\$ 21,983,381
Dividends and/or distributions reinvested	2,648,241	5,402,411	1,954,567	3,674,586
Redeemed	(7,012,343)	(14,732,178)	(18,147,101)	(35,784,315)
Net decrease	<b>(2,224,880)</b>	<b>\$(4,780,413)</b>	<b>(5,040,058)</b>	<b>\$(10,126,348)</b>

	Six Months Ended June 30, 2011		Year Ended December 31, 2010	
	Shares	Amount	Shares	Amount
<b>Service Shares</b>				
Sold	1,542,012	3,235,275	2,939,505	5,849,488
Dividends and/or distributions reinvested	2,691,923	5,518,442	2,040,930	3,877,767
Redeemed	(3,389,607)	(7,134,938)	(7,528,455)	(14,988,236)
Net increase (decrease)	<b>844,328</b>	<b>\$ 1,618,779</b>	<b>(2,548,020)</b>	<b>\$ (5,260,981)</b>
<b>Class 3 Shares</b>				
Sold	572,587	1,222,127	2,054,702	4,093,320
Dividends and/or distributions reinvested	269,673	555,527	160,066	304,126
Redeemed	(1,055,776)	(2,212,076) <sup>1</sup>	(1,747,107)	(3,468,322) <sup>2</sup>
Net increase (decrease)	<b>(213,516)</b>	<b>\$ (434,422)</b>	<b>467,661</b>	<b>\$ 929,124</b>
<b>Class 4 Shares</b>				
Sold	1,139,600	2,458,346	1,725,510	3,440,558
Dividends and/or distributions reinvested	338,821	704,748	200,967	385,856
Redeemed	(978,268)	(2,058,575) <sup>1</sup>	(1,958,189)	(3,944,705) <sup>2</sup>
Net increase (decrease)	<b>500,153</b>	<b>\$ 1,104,519</b>	<b>(31,712)</b>	<b>\$ (118,291)</b>

1. Net of redemption fees of \$281 and \$180 for Class 3 and Class 4 shares, respectively.

2. Net of redemption fees of \$3,684 and \$7,734 for Class 3 and Class 4 shares, respectively.

### 3. Purchases and Sales of Securities

The aggregate cost of purchases and proceeds from sales of securities, other than short-term obligations and investments in IMMF, for the six months ended June 30, 2011, were as follows:

	Purchases	Sales
Investment securities	\$41,173,324	\$47,482,148

### 4. Fees and Other Transactions with Affiliates

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

Fee Schedule	
Up to \$200 million	0.75%
Next \$200 million	0.72
Next \$200 million	0.69
Next \$200 million	0.66
Next \$200 million	0.60
Over \$1 billion	0.50

**Administration Service Fees.** The Fund pays the Manager a fee of \$1,500 per year for preparing and filing the Fund's tax returns.

**Transfer Agent Fees.** OppenheimerFunds Services ("OFS"), a division of the Manager, acts as the transfer and shareholder servicing agent for the Fund. The Fund pays OFS fees at an annual rate of 0.10% of the daily net assets of each class of shares. For the six months ended June 30, 2011, the Fund paid \$70,402 to OFS for services to the Fund.

**Distribution and Service Plan for Service Shares and Class 4 Shares.** The Fund has adopted a Distribution and Service Plan (the "Plan") in accordance with Rule 12b-1 under the Investment Company Act of 1940 for Service shares and Class 4 shares to pay OppenheimerFunds Distributor, Inc. (the "Distributor"), for distribution related services, personal service and account maintenance for the Fund's Service shares and Class 4 shares. Under the Plan, payments are made

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**4. Fees and Other Transactions with Affiliates** Continued

periodically at an annual rate of 0.25% of the daily net assets of Service shares and Class 4 shares of the Fund. The Distributor currently uses all of those fees to compensate sponsors of the insurance product that offers Fund shares, for providing personal service and maintenance of accounts of their variable contract owners that hold Service shares and Class 4 shares. These fees are paid out of the Fund's assets on an on-going basis and increase operating expenses of the Service shares and Class 4 shares, which results in lower performance compared to the Fund's shares that are not subject to a service fee. Fees incurred by the Fund under the Plan are detailed in the Statement of Operations.

**Waivers and Reimbursements of Expenses.** The Manager has voluntarily agreed to limit the Fund's total annual operating expenses so that those expenses, as percentages of daily net assets, will not exceed the annual rate of 0.75% for Non-Service and Class 3 shares and 1.00% for Service and Class 4 shares. During the six months ended June 30, 2011, the Manager waived fees and/or reimbursed the Fund \$61,960, \$65,694, \$6,583 and \$8,931 for Non-Service, Service, Class 3 and Class 4 shares, respectively.

The Manager will waive fees and/or reimburse Fund expenses in an amount equal to the indirect management fees incurred through the Fund's investment in IMMF. During the six months ended June 30, 2011, the Manager waived fees and/or reimbursed the Fund \$2,154 for IMMF management fees.

Some of these undertakings may be modified or terminated at any time, as indicated in the Fund's prospectus.

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**5. Restricted Securities**

As of June 30, 2011, investments in securities included issues that are restricted. A restricted security may have a contractual restriction on its resale and is valued under methods approved by the Board of Trustees as reflecting fair value. Securities that are restricted are marked with an applicable footnote on the Statement of Investments. Restricted securities are reported on a schedule following the Statement of Investments.

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**6. Pending Litigation**

Since 2009, a number of lawsuits have been filed in federal and state courts against the Manager, the Distributor and certain Oppenheimer mutual funds (but not including the Fund) advised by the Manager and distributed by the Distributor (the "Defendant Funds"). Several of these lawsuits also name as defendants certain officers and current and former trustees of the respective Defendant Funds. The lawsuits raise claims under federal and state securities laws and state common law and allege, among other things, that the disclosure documents of the respective Defendant Fund contained misrepresentations and omissions and that the respective Defendant Fund's investment policies were not followed. The plaintiffs in these actions seek unspecified damages, equitable relief and an award of attorneys' fees and litigation expenses. On June 1, 2011, the U.S. District Court for the District of Colorado gave preliminary approval to stipulations and agreements of settlement in certain purported class action lawsuits involving two Defendant Funds, Oppenheimer Champion Income Fund and Oppenheimer Core Bond Fund. Those settlements are subject to the final approval of the court. Final approval of the settlements also requires that a sufficient number of class members approve the settlement to induce the settling defendants to proceed with it. These settlements do not resolve any of the other outstanding lawsuits relating to Oppenheimer Champion Income Fund, Oppenheimer Core Bond Fund or other Defendant Funds.

In 2009, what are claimed to be derivative lawsuits were filed in New Mexico state court against the Manager and a subsidiary (but not against the Fund) on behalf of the New Mexico Education Plan Trust. These lawsuits allege breach of contract, breach of fiduciary duty, negligence and violation of state securities laws, and seek compensatory damages, equitable relief and an award of attorneys' fees and litigation expenses.

Other lawsuits have been filed since 2008 in various state and federal courts against the Manager and certain of its affiliates by investors seeking to recover investments they allegedly lost as a result of the “Ponzi” scheme run by Bernard L. Madoff and his firm, Bernard L. Madoff Investment Securities, LLC (“BLMIS”). Plaintiffs in these suits allege that they suffered losses as a result of their investments in several funds managed by an affiliate of the Manager and assert a variety of claims, including breach of fiduciary duty, fraud, negligent misrepresentation, unjust enrichment, and violation of federal and state securities laws and regulations, among others. They seek unspecified damages, equitable relief and awards of attorneys’ fees and litigation expenses. None of the suits have named the Distributor, any of the Oppenheimer mutual funds or any of their independent Trustees or Directors as defendants. None of the Oppenheimer mutual funds invested in any funds or accounts managed by Mr. Madoff or BLMIS. On February 28, 2011, a stipulation of partial settlement of certain purported class action lawsuits relating to these matters was filed in the U.S. District Court for the Southern District of New York. On August 8, 2011, the court issued a ruling approving the settlement as fair, reasonable and adequate. The court’s approval of the settlement is subject to potential appeal by claimants. On July 29, 2011, a stipulation of settlement between certain affiliates of the Manager and the Trustee appointed under the Securities Investor Protection Act to liquidate BLMIS was filed in the U.S. Bankruptcy Court for the Southern District of New York to resolve purported preference and fraudulent transfer claims by the Trustee. This settlement is subject to the final approval of the court. The aforementioned settlements do not resolve any of the other outstanding lawsuits relating to these matters.

On April 16, 2010, a lawsuit was filed in New York state court against the Manager, an affiliate of the Manager and AAARDVARK IV Funding Limited (“AAARDVARK IV”), an entity advised by the Manager’s affiliate, in connection with investments made by the plaintiffs in AAARDVARK IV. Plaintiffs allege breach of contract against the defendants and seek compensatory damages, costs and disbursements, including attorney fees. On July 15, 2011, a lawsuit was filed in New York state court against the Manager, an affiliate of the Manager and AAARDVARK I Funding Limited (“AAARDVARK I”), an entity advised by the Manager’s affiliate, in connection with investments made by the plaintiffs in AAARDVARK I. The complaint alleges breach of contract against the defendants and seeks compensatory damages, costs and disbursements, including attorney fees.

The Manager believes the lawsuits described above are without legal merit and, with the exception of actions it has agreed to settle, is defending against them vigorously. The Defendant Funds’ Boards of Trustees have also engaged counsel to represent the Funds and the present and former Independent Trustees named in those suits. While it is premature to render any opinion as to the outcome in these lawsuits, or whether any costs that the Defendant Funds may bear in defending the suits might not be reimbursed by insurance, the Manager believes that these suits should not impair the ability of the Manager or the Distributor to perform their respective duties to the Fund, and that the outcome of all of the suits together should not have any material effect on the operations of any of the Oppenheimer mutual funds.

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The Fund has adopted Portfolio Proxy Voting Policies and Procedures under which the Fund votes proxies relating to securities (“portfolio proxies”) held by the Fund. A description of the Fund’s Portfolio Proxy Voting Policies and Procedures is available (i) without charge, upon request, by calling the Fund toll-free at 1.800.525.7048, (ii) on the Fund’s website at [oppenheimerfunds.com](http://oppenheimerfunds.com), and (iii) on the SEC’s website at [www.sec.gov](http://www.sec.gov). In addition, the Fund is required to file Form N-PX, with its complete proxy voting record for the 12 months ended June 30th, no later than August 31st of each year. The Fund’s voting record is available (i) without charge, upon request, by calling the Fund toll-free at 1.800.525.7048, and (ii) in the Form N-PX filing on the SEC’s website at [www.sec.gov](http://www.sec.gov).

The Fund files its complete schedule of portfolio holdings with the SEC for the first quarter and the third quarter of each fiscal year on Form N-Q. The Fund’s Form N-Q filings are available on the SEC’s website at [www.sec.gov](http://www.sec.gov). Those forms may be reviewed and copied at the SEC’s Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

# OPPENHEIMER HIGH INCOME FUND/VA

*A Series of Oppenheimer Variable Accounts*

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<b>Trustees and Officers</b>	William L. Armstrong, Chairman of the Board of Trustees and Trustee George C. Bowen, Trustee Edward L. Cameron, Trustee Jon S. Fossel, Trustee Sam Freedman, Trustee Beverly L. Hamilton, Trustee Robert J. Malone, Trustee F. William Marshall, Jr., Trustee William F. Glavin, Jr., Trustee, President and Principal Executive Officer Joseph Welsh, Vice President and Portfolio Manager Arthur S. Gabinet, Secretary Christina M. Nasta, Vice President and Chief Business Officer Mark S. Vandehey, Vice President and Chief Compliance Officer Brian W. Wixted, Treasurer and Principal Financial & Accounting Officer Robert G. Zack, Vice President
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<b>Manager</b>	OppenheimerFunds, Inc.
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<b>Distributor</b>	OppenheimerFunds Distributor, Inc.
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<b>Transfer Agent</b>	OppenheimerFunds Services
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<b>Independent Registered Public Accounting Firm</b>	KPMG LLP
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<b>Counsel</b>	K&L Gates LLP
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**Before investing, investors should carefully consider a fund's investment objectives, risks, charges and expenses. Fund prospectuses and, if available, summary prospectuses contain this and other information about the funds, and may be obtained by asking your financial advisor, or calling us at 1.800.988.8287. Read prospectuses and, if available, summary prospectuses, carefully before investing.**

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

