

June 30, 2009

Oppenheimer

Balanced Fund/VA

A Series of Oppenheimer Variable Account Funds

Semiannual
Report

SEMIANNUAL REPORT

Investment Strategy Discussion

Listing of Top Holdings

Listing of Investments

Financial Statements



OppenheimerFunds®
The Right Way to Invest

OPPENHEIMER BALANCED FUND/VA

Fund Objective. The Fund seeks high total investment return, which includes current income and capital appreciation.

Cumulative Total Returns

For the 6-Month Period Ended 6/30/09

Non-Service Shares	8.05%
Service Shares	8.00

Average Annual Total Returns

For the Periods Ended 6/30/09

	1-Year	5-Year	10-Year
Non-Service Shares	-34.41%	-4.48%	0.12%
			Since Inception (5/1/02)
Service Shares	-34.52%	-4.71%	-1.49%

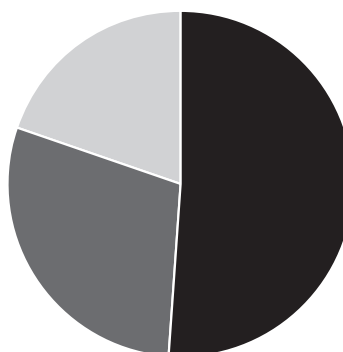
Expense Ratios

For the Fiscal Year Ended 12/31/08

	Gross Expense Ratios	Net Expense Ratios
Non-Service Shares	0.86%	0.59%
Service Shares	1.10	0.84

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 1.800.981.2871. 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 expense ratios in the table are based on the Fund's expenses during its fiscal year ended December 31, 2008, but have been restated as if the changes in the transfer agent fee structure and voluntary limits to the Fund's total annual operating expenses that went into effect May 1, 2009 had been in effect during that entire fiscal year. The net expense ratios take into account a voluntary fee waiver or expense reimbursement, without which performance would have been less. This undertaking may be modified or terminated at any time.*

Portfolio Allocation



Portfolio holdings and allocations are subject to change. Percentages are as of June 30, 2009, and are based on the total market value of investments.

Top Ten Common Stock Holdings

Take-Two Interactive Software, Inc.	5.6%
Microsoft Corp.	3.4
Exxon Mobil Corp.	2.9
THQ, Inc.	2.6
Google, Inc., Cl. A	2.5
QUALCOMM, Inc.	2.2
Everest Re Group Ltd.	2.1
Research in Motion Ltd.	2.0
Chevron Corp.	1.8
Wells Fargo & Co.	1.6

Portfolio holdings and allocations are subject to change. Percentages are as of June 30, 2009, and are based on net assets.

Fund Performance Discussion

For the six-month period ended June 30, 2009, the Fund's Non-Service shares returned 8.05%, outperforming its benchmarks, the S&P 500 Index, which returned 3.19% and the Barclays Capital Aggregate Bond Index, which returned 1.90%. The Fund's relative outperformance was primarily due to its equity component's performance versus the S&P 500 Index. In the second half of the reporting period, the Fund's fixed-income component also provided alpha versus its benchmark, handily outperforming the Barclays Capital Aggregate Bond Index.

The Fund's equity component outperformed in eight of ten sectors versus the S&P 500 Index. Relative outperformance was strongest in the information technology sector, which was also the Fund's largest sector weighting at period end, followed by significant outperformance in the health care and industrials sectors.

Fund performance in the information technology sector was helped by both its relative overweight and successful stock selection. The top contributor to relative Fund performance in the sector was Research in Motion Ltd. The Canadian-based developer of mobile communications and wireless email products, including the BlackBerry smartphone, saw its stock price jump as year-over-year revenue growth, net income and sales of BlackBerry devices jumped in the 1st quarter of 2009. The Fund's largest equity holding at period end, Take-Two Interactive Software, Inc., was the second largest contributor to relative Fund performance. Take-Two, a leading publisher and distributor of video games and video game peripherals, continues to be a leader in the video gaming space. THQ, Inc., another developer and publisher of video games, was the third largest contributor to relative Fund performance during the period and produced solid returns for the Fund. A few other notables included QUALCOMM, Inc., a leading manufacturer of the CDMA chip-technology that is used in 3G wireless communications, Google, Inc., Apple, Inc., eBay, Inc. and Microsoft Corp.

The Fund outperformed the S&P 500 Index in the health care sector, where it had better relative stock selection. Within the sector, the two top contributors to Fund performance were pharmaceutical stocks Schering-Plough Corp. and Mylan, Inc. In the industrials sector, relative performance was aided by both the Fund's stock selection and underweight position. Mining equipment manufacturer Joy Global, Inc. and commercial trucking manufacturer Navistar International Corp. were the top contributors to Fund performance within the sector.

In terms of performance detractors, financials and consumer discretionary were the two sectors where the Fund's equity component underperformed the S&P 500 Index for the reporting period. Stock selection within financials fared worse than the S&P 500 Index. Relative Fund performance was hurt by the Fund's holdings in Julius Baer Holding AG, and we exited our position by period end. Stock selection in the consumer discretionary sector also detracted from Fund performance. In particular, Las Vegas Sands Corp. had a difficult reporting period and we exited our position in the security. Liberty Global, Inc. also detracted from relative Fund performance. We retained our holdings in Liberty Global as of period end.

The Fund's fixed-income component underperformed the Barclays Capital Aggregate Bond Index during the reporting period. In the first half of the reporting period, with the credit markets still "frozen" and suffering from the aftershocks of the financial disarray that occurred in the second half of 2008, the fixed-income component's performance declined and underperformed its benchmark. An easing of credit conditions helped the Fund's fixed-income component outpace the Barclays Capital Aggregate Bond Index in the second half of the period.

Effective April 2009, Krishna Memani was named the head of OppenheimerFunds' Investment Grade Fixed Income team and Mr. Memani and Peter Strzalkowski, another key member of the team, have been appointed as portfolio managers of the Fund's fixed-income component. Since taking over the Fund's fixed-income component, Messrs. Memani and Strzalkowski have transitioned the portfolio to a position they feel is suitable for market conditions existing as of period end. They believe that a core bond allocation should act as a "ballast" in a portfolio, providing competitive returns, while holding its value in a down market.

OPPENHEIMER BALANCED FUND/VA

At period end, the portfolio has been positioned to source risk and return from a diversified set of factors. The Fund's investments in the commercial mortgage-backed securities (CMBS), non-agency mortgage-backed securities (MBS) and investment grade financials sectors were reduced, while its investments in investment grade non-financials increased during the period. The Fund's largest allocation within the MBS sector at period end was comprised mostly of agency mortgages.

Please note that derivative instruments, securities whose values depend on the performance of an underlying security or asset, entail potentially higher volatility and risk of loss compared to traditional stock or bond investments. Fixed income investing entails credit risks and interest rate risks. When interest rates rise, bond prices generally fall, and the Fund's share prices can fall. The Fund invests in debt securities below investment grade, which may entail greater credit risks, as described in the prospectus. Mortgage-related securities have greater potential for loss when interest rates rise.

Investors should consider the Fund's investment objectives, risks, and charges and expenses carefully before investing. The Fund's prospectus contains this and other information about the Fund, and may be obtained by asking your financial advisor or calling us at 1.800.981.2871. Read the 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. The performance data quoted represents past performance, which does not guarantee future results.

FUND EXPENSES

Fund Expenses. As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, which may include redemption fees (if applicable); 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, 2009.

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.

	Beginning Account Value January 1, 2009	Ending Account Value June 30, 2009	Expenses Paid During 6 Months Ended June 30, 2009
Actual			
Non-Service Shares	\$1,000.00	\$1,080.50	\$3.15
Service Shares	1,000.00	1,080.00	4.44
Hypothetical (5% return before expenses)			
Non-Service Shares	1,000.00	1,021.77	3.06
Service Shares	1,000.00	1,020.53	4.32

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, 2009 are as follows:

Class	Expense Ratios
Non-Service shares	0.61%
Service shares	0.86

The expense ratios reflect voluntary waivers or reimbursements of expenses by the Fund’s Manager that can be terminated at any time, without advance notice. 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.

THIS PAGE INTENTIONALLY LEFT BLANK.

STATEMENT OF INVESTMENTS

June 30, 2009 / Unaudited

	Shares	Value
Common Stocks—53.4%		
Consumer Discretionary—4.6%		
Media—4.6%		
Cablevision Systems Corp.		
New York Group, Cl. A	193,360	\$ 3,753,118
Cinemark Holdings, Inc.	2,100	23,772
Jupiter Telecommunications Co. Ltd.	4,088	3,106,260
Liberty Global, Inc., Series A ¹	128,838	2,047,236
Liberty Global, Inc., Series C ¹	85,760	1,355,866
National CineMedia, Inc.	40,660	559,482
		10,845,734
Consumer Staples—4.3%		
Food & Staples Retailing—0.8%		
Kroger Co. (The)	89,600	1,975,680
Food Products—1.4%		
Nestle SA	87,780	3,305,837
Tobacco—2.1%		
Altria Group, Inc.	83,010	1,360,534
Lorillard, Inc.	50,660	3,433,228
		4,793,762
Energy—4.7%		
Oil, Gas & Consumable Fuels—4.7%		
Chevron Corp.	64,600	4,279,750
Exxon Mobil Corp.	96,370	6,737,227
		11,016,977
Financials—5.4%		
Commercial Banks—1.7%		
Wells Fargo & Co.	158,100	3,835,506
Diversified Financial Services—1.1%		
JPMorgan Chase & Co.	78,000	2,660,580
Insurance—2.6%		
Assurant, Inc.	51,500	1,240,635
Everest Re Group Ltd.	68,430	4,897,535
		6,138,170
Health Care—7.2%		
Biotechnology—1.4%		
Amicus Therapeutics, Inc. ¹	95,449	1,092,891
Genzyme Corp. (General Division) ¹	13,400	745,978
Human Genome Sciences, Inc. ¹	256,420	733,361
Orexigen Therapeutics, Inc. ¹	153,170	785,762
		3,357,992
Health Care Equipment & Supplies—1.5%		
Beckman Coulter, Inc.	32,120	1,835,337
Covidien plc	46,700	1,748,448
		3,583,785

	Shares	Value
Health Care Providers & Services—2.0%		
Aetna, Inc.	87,140	\$ 2,182,857
Medco Health Solutions, Inc. ¹	53,320	2,431,925
		4,614,782
Pharmaceuticals—2.3%		
Abbott Laboratories	48,410	2,277,206
Wyeth	69,000	3,131,910
		5,409,116
Industrials—2.7%		
Aerospace & Defense—0.4%		
Orbital Sciences Corp. ¹	65,404	992,179
Machinery—1.8%		
Joy Global, Inc.	57,780	2,063,902
Navistar International Corp. ¹	46,350	2,020,860
		4,084,762
Trading Companies & Distributors—0.5%		
Aircastle Ltd.	168,100	1,235,535
Information Technology—22.2%		
Communications Equipment—4.2%		
QUALCOMM, Inc.	113,360	5,123,872
Research in Motion Ltd. ¹	65,680	4,666,564
		9,790,436
Computers & Peripherals—1.2%		
Apple, Inc. ¹	19,600	2,791,628
Electronic Equipment & Instruments—0.0%		
CalAmp Corp. ¹	19	15
Internet Software & Services—3.6%		
eBay, Inc. ¹	150,600	2,579,778
Google, Inc., Cl. A ¹	13,810	5,822,158
		8,401,936
Software—13.2%		
Microsoft Corp.	338,700	8,050,899
Novell, Inc. ¹	337,980	1,531,049
Synopsys, Inc. ¹	114,640	2,236,626
Take-Two Interactive Software, Inc.	1,387,976	13,144,133
THQ, Inc. ¹	853,300	6,109,628
		31,072,335
Materials—1.8%		
Chemicals—1.8%		
Lubrizol Corp. (The)	60,140	2,845,223
Potash Corp. of Saskatchewan, Inc.	15,100	1,405,055
		4,250,278

STATEMENT OF INVESTMENTS Unaudited / Continued

	Shares	Value
Telecommunication Services—0.0%		
Diversified Telecommunication Services—0.0%		
XO Holdings, Inc. ¹	85	\$ 26
Utilities—0.5%		
Energy Traders—0.5%		
NRG Energy, Inc. ¹	50,540	1,312,018
Total Common Stocks (Cost \$135,393,040)		125,469,069
Preferred Stocks—3.6%		
Mylan, Inc., 6.50% Cv, Non-Vtg.	4,800	4,134,720
Schering-Plough Corp., 6% Cv.	18,800	4,261,960
Total Preferred Stocks (Cost \$5,743,030)		8,396,680
Units		
Rights, Warrants and Certificates—0.0%		
XO Communications, Inc.:		
Series A Wts., Strike Price \$6.25, Exp. 1/16/10 ¹²	171	1
Series B Wts., Strike Price \$7.50, Exp. 1/16/10 ¹²	128	—
Series C Wts., Strike Price \$10, Exp. 1/16/10 ¹²	128	—
Total Rights, Warrants and Certificates (Cost \$0)		1
Principal Amount		
Asset-Backed Securities—2.4%		
Argent Securities Trust 2004-W8, Asset-Backed Pass-Through Certificates, Series 2004-W8, Cl. A2, 0.794%, 5/25/34 ³	\$ 830,484	478,634
Bank of America Credit Card Trust, Credit Card Asset-Backed Certificates, Series 2006-A16, Cl. A16, 4.72%, 5/15/13	165,000	170,739
Chase Issuance Trust, Credit Card Asset-Backed Certificates, Series 2007-A15, Cl. A, 4.96%, 9/17/12	665,000	688,649
Citibank Credit Card Issuance Trust, Credit Card Receivable Nts., Series 2003-C4, Cl. C4, 5%, 6/10/15	180,000	154,590
Countrywide Home Loans, Asset-Backed Certificates:		
Series 2002-4, Cl. A1, 1.054%, 2/25/33 ³	18,836	8,079
Series 2005-16, Cl. 2AF2, 5.382%, 5/25/36 ³	349,986	269,967
Series 2005-17, Cl. 1AF2, 5.363%, 5/25/36 ³	203,211	148,230
CWABS Asset-Backed Certificates Trust 2006-25, Asset-Backed Certificates, Series 2006-25, Cl. 2A2, 0.434%, 6/25/47 ³	480,000	230,272

	Principal Amount	Value
Asset-Backed Securities Continued		
Ford Credit Auto Owner Trust, Automobile Receivables Nts, Series 2009-B, Cl. A2, 2.10%, 11/15/11	\$ 120,000	\$ 120,100
HSBC Home Equity Loan Trust 2005-3, Closed-End Home Equity Loan Asset-Backed Certificates, Series 2005-3, Cl. A1, 0.575%, 1/20/35 ³	278,708	185,500
HSBC Home Equity Loan Trust 2006-4, Closed-End Home Equity Loan Asset-Backed Certificates, Series 2006-4, Cl. A2V, 0.425%, 3/20/36 ³	180,000	156,375
Lehman XS Trust, Mtg. Pass-Through Certificates, Series 2005-2, Cl. 2A1B, 5.18%, 8/25/35 ³	12,595	12,515
MBNA Credit Card Master Note Trust, Credit Card Receivables:		
Series 2003-C7, Cl. C7, 1.669%, 3/15/16 ³	1,710,000	1,298,576
Series 2005-A6, Cl. A6, 4.50%, 1/15/13	660,000	678,678
Option One Mortgage Loan Trust 2006-2, Asset-Backed Certificates, Series 2006-2, Cl. 2A2, 0.414%, 7/1/36 ³	776,281	507,803
RASC Series 2006-KS7 Trust, Home Equity Mtg. Asset-Backed Pass-Through Certificates, Series 2006-KS7, Cl. A2, 0.414%, 9/25/36 ³	472,324	410,148
Structured Asset Investment Loan Trust, Mtg. Pass-Through Certificates, Series 2006-BNC3, Cl. A2, 0.354%, 9/25/36 ³	101,427	97,487
Total Asset-Backed Securities (Cost \$7,318,662)		5,616,342
Mortgage-Backed Obligations—21.3%		
Banc of America Commercial Mortgage, Inc., Commercial Mtg. Pass-Through Certificates, Series 2006-1, Cl. AM, 5.421%, 9/1/45 ⁴	1,800,000	932,776
ChaseFlex Trust 2006-2, Multiclass Mtg. Pass-Through Certificates, Series 2006-2, Cl. A1B, 0.414%, 9/25/36 ³	39,923	38,820
Citigroup Commercial Mortgage Trust 2008-C7, Commercial Mtg. Pass-Through Certificates:		
Series 2008-C7, Cl. A4, 6.299%, 12/1/49 ³	300,000	246,098
Series 2008-C7, Cl. AM, 6.299%, 12/1/49 ³	780,000	420,867
Deutsche Alt-A Securities Mortgage Loan Trust, Mtg. Pass-Through Certificates, Series 2006-AB4, Cl. A1A, 6.005%, 10/25/36	510,749	351,274
Federal Home Loan Mortgage Corp., 7%, 10/1/37	2,426,564	2,612,278

	Principal Amount	Value
Mortgage-Backed Obligations Continued		
Federal Home Loan Mortgage Corp., Gtd. Real Estate Mtg. Investment Conduit Multiclass Certificates:		
Series 3279, Cl. PH, 6%, 2/1/27	\$ 675,000	\$ 702,714
Series 3306, Cl. PA, 5.50%, 10/1/27	255,254	264,118
Series R001, Cl. AE, 4.375%, 4/1/15	194,957	200,189
Federal Home Loan Mortgage Corp., Gtd. Real Estate Mtg. Investment Conduit Multiclass Certificates, Interest-Only Mtg.-Backed Security, Series 3399, Cl. SC, 12.252%, 12/15/37 ⁵		
	1,176,827	102,230
Federal Home Loan Mortgage Corp., Gtd. Real Estate Mtg. Investment Conduit Multiclass Certificates, Interest-Only Stripped Mtg.-Backed Security, Series 3045, Cl. DI, 44.089%, 10/15/35 ⁵		
	1,344,778	112,730
Federal Home Loan Mortgage Corp., Gtd. Real Estate Mtg. Investment Conduit Multiclass Pass-Through Certificates:		
Series 2006-11, Cl. PS, 23.416%, 3/25/36 ³	297,828	357,614
Series 3025, Cl. SJ, 23.579%, 8/15/35 ³	94,492	113,504
Series 3094, Cl. HS, 23.212%, 6/15/34 ³	182,320	214,089
Federal Home Loan Mortgage Corp., Interest-Only Stripped Mtg.-Backed Security:		
Series 176, Cl. IO, 12.892%, 6/1/26 ⁵	159,333	31,341
Series 183, Cl. IO, 10.333%, 4/1/27 ⁵	253,559	45,991
Series 184, Cl. IO, 17.303%, 12/1/26 ⁵	276,825	53,834
Series 192, Cl. IO, 10.868%, 2/1/28 ⁵	73,846	15,450
Series 200, Cl. IO, 10.248%, 1/1/29 ⁵	90,530	15,905
Series 2130, Cl. SC, 48.922%, 3/15/29 ⁵	196,624	23,769
Series 224, Cl. IO, 1.677%, 3/1/33 ⁵	439,385	74,084
Series 243, Cl. 6, 1.711%, 12/15/32 ⁵	268,102	40,173
Series 2527, Cl. SG, 47.357%, 2/15/32 ⁵	157,096	9,819
Series 2531, Cl. ST, 63.467%, 2/15/30 ⁵	1,874,370	129,642
Series 2796, Cl. SD, 65.696%, 7/15/26 ⁵	283,754	32,917
Series 2802, Cl. AS, 99.999%, 4/15/33 ⁵	365,955	28,501
Series 2920, Cl. S, 77.044%, 1/15/35 ⁵	1,578,912	158,333
Series 3000, Cl. SE, 99.999%, 7/15/25 ⁵	1,546,692	131,274
Series 3110, Cl. SL, 99.999%, 2/15/26 ⁵	230,959	19,348
Series 3146, Cl. SA, 49.905%, 4/15/36 ⁵	1,514,203	163,276
Federal Home Loan Mortgage Corp., Principal-Only Stripped Mtg.-Backed Security:		
Series 176, Cl. PO, 4.662%, 6/1/26 ⁶	70,121	58,830
Series 192, Cl. PO, 8.951%, 2/1/28 ⁶	73,846	62,684
Federal National Mortgage Assn.:		
4.50%, 7/1/24-7/1/39 ⁷	2,487,000	2,506,898
5%, 7/1/24-7/1/39 ⁷	4,968,000	5,078,381
5.50%, 9/25/20	17,175	18,062
5.50%, 7/1/24-7/1/39 ⁷	8,638,000	8,939,324
6%, 3/1/37-10/1/37	2,251,266	2,358,012
6%, 7/1/23-7/1/39 ⁷	5,198,000	5,470,737
6.50%, 7/1/37 ⁷	3,277,000	3,490,516

	Principal Amount	Value
Mortgage-Backed Obligations Continued		
Federal National Mortgage Assn.: Continued		
7%, 11/1/17 ⁸	\$ 351,221	\$ 370,250
7.50%, 1/1/33	285,007	311,057
8.50%, 7/1/32	12,870	14,015
Federal National Mortgage Assn., Gtd. Real Estate Mtg. Investment Conduit Pass-Through Certificates:		
Trust 1998-61, Cl. PL, 6%, 11/25/28	235,683	251,995
Trust 2005-57, Cl. PA, 5.50%, 5/1/27	633,217	646,390
Trust 2005-69, Cl. LE, 5.50%, 11/1/33	620,625	654,324
Trust 2006-46, Cl. SW, 23.049%, 6/25/36 ³	222,243	265,598
Trust 2006-57, Cl. PA, 5.50%, 8/25/27	644,093	664,111
Federal National Mortgage Assn., Gtd. Real Estate Mtg. Investment Conduit Pass-Through Certificates, Interst-Only Stripped Mtg.-Backed Security:		
Trust 2005-14, Cl. SE, 42.618%, 3/25/35 ⁵	235,853	20,998
Trust 2006-60, Cl. DI, 42.267%, 4/25/35 ⁵	155,596	13,514
Federal National Mortgage Assn., Interest-Only Stripped Mtg.-Backed Security:		
Trust 2001-65, Cl. S, 52.087%, 11/25/31 ⁵	692,807	74,969
Trust 2001-81, Cl. S, 36.828%, 1/25/32 ⁵	151,553	17,159
Trust 2002-47, Cl. NS, 35.792%, 4/25/32 ⁵	342,550	37,058
Trust 2002-51, Cl. S, 36.115%, 8/25/32 ⁵	314,541	33,562
Trust 2002-52, Cl. SD, 39.685%, 9/25/32 ⁵	361,609	38,101
Trust 2002-77, Cl. SH, 45.207%, 12/18/32 ⁵	210,297	25,382
Trust 2002-84, Cl. SA, 54.817%, 12/25/32 ⁵	625,398	64,114
Trust 2002-9, Cl. MS, 36.493%, 3/25/32 ⁵	231,448	25,820
Trust 2003-33, Cl. SP, 62.33%, 5/25/33 ⁵	714,132	76,472
Trust 2003-4, Cl. S, 50.418%, 2/25/33 ⁵	405,305	42,812
Trust 2003-46, Cl. IH, (8.622)%, 6/1/33 ⁵	2,349,131	262,419
Trust 2003-89, Cl. XS, 66.925%, 11/25/32 ⁵	340,662	22,145
Trust 2004-54, Cl. DS, 51.606%, 11/25/30 ⁵	307,632	38,631
Trust 2005-40, Cl. SA, 76.253%, 5/25/35 ⁵	892,827	85,535
Trust 2005-6, Cl. SE, 88.843%, 2/25/35 ⁵	1,188,599	111,116
Trust 2005-71, Cl. SA, 74.882%, 8/25/25 ⁵	990,553	94,424
Trust 2005-87, Cl. SE, 49.35%, 10/25/35 ⁵	1,147,858	102,755
Trust 222, Cl. 2, 16.107%, 6/1/23 ⁵	558,513	77,212
Trust 233, Cl. 2, 18.665%, 8/1/23 ⁵	475,575	91,716
Trust 240, Cl. 2, 21.617%, 9/1/23 ⁵	903,965	124,070
Trust 252, Cl. 2, 16.868%, 11/1/23 ⁵	436,205	82,440
Trust 273, Cl. 2, 14.646%, 8/1/26 ⁵	120,596	23,658
Trust 319, Cl. 2, 5.94%, 2/1/32 ⁵	154,604	27,250
Trust 331, Cl. 9, 15.30%, 2/1/33 ⁵	452,167	68,801
Trust 334, Cl. 17, 22.198%, 2/1/33 ⁵	258,457	31,094
Trust 334, Cl. 3, (15.137)%, 7/1/33 ⁵	62,759	7,683
Trust 339, Cl. 12, 3.909%, 7/1/33 ⁵	457,413	65,587
Trust 339, Cl. 7, (8.136)%, 7/1/33 ⁵	1,655,657	185,396
Trust 339, Cl. 8, (7.298)%, 8/1/33 ⁵	36,050	4,466
Trust 343, Cl. 13, 6.355%, 9/1/33 ⁵	376,766	59,556
Trust 345, Cl. 9, 2.362%, 1/1/34 ⁵	649,439	113,801
Trust 351, Cl. 10, 3.464%, 4/1/34 ⁵	63,441	8,165
Trust 351, Cl. 11, (0.318)%, 11/1/34 ⁵	63,950	8,261
Trust 351, Cl. 8, 2.745%, 4/1/34 ⁵	195,879	26,612

STATEMENT OF INVESTMENTS Unaudited / Continued

	Principal Amount	Value
Mortgage-Backed Obligations Continued		
Federal National Mortgage Assn., Interest-Only Stripped Mtg.-Backed Security: Continued		
Trust 356, Cl. 10, (2.058)%, 6/1/35 ⁵	\$ 163,233	\$ 20,045
Trust 356, Cl. 12, (3.812)%, 2/1/35 ⁵	88,000	10,609
Trust 362, Cl. 12, 1.301%, 8/1/35 ⁵	1,061,063	163,101
Trust 362, Cl. 13, (0.567)%, 8/1/35 ⁵	585,856	82,102
Trust 364, Cl. 16, 0.008%, 9/1/35 ⁵	464,390	71,358
Federal National Mortgage Assn., Principal-Only Stripped Mtg.-Backed Security, Trust 1993-184, Cl. M, 5.34%, 9/25/23 ⁶	200,861	181,610
First Horizon Alternative Mortgage Securities Trust 2004-FA2, Mtg. Pass-Through Certificates, Series 2004-FA2, Cl. 3A1, 6%, 1/25/35	335,183	273,722
First Horizon Alternative Mortgage Securities Trust 2007-FA2, Mtg. Pass-Through Certificates, Series 2007-FA2, Cl. 1A1, 5.50%, 4/25/37	365,824	263,478
GE Capital Commercial Mortgage Corp., Commercial Mtg. Obligations, Series 2005-C4, Cl. AM, 5.513%, 11/1/45 ³	355,000	226,642
GS Mortgage Securities Corp. II, Commercial Mtg. Obligations, Series 2001-LIBA, Cl. B, 6.733%, 2/10/16	290,000	312,284
Government National Mortgage Assn.: 4.50%, 7/1/24 ⁷	2,490,000	2,486,111
8%, 4/15/23	118,843	130,509
Government National Mortgage Assn., Interest-Only Stripped Mtg.-Backed Security:		
Series 2001-21, Cl. SB, 77.329%, 1/16/27 ⁵	323,798	38,054
Series 2002-15, Cl. SM, 69.603%, 2/16/32 ⁵	388,591	50,663
Series 2002-76, Cl. SY, 71.058%, 12/16/26 ⁵	830,133	96,062
Series 2004-11, Cl. SM, 52.612%, 1/17/30 ⁵	270,497	33,331
JPMorgan Chase Commercial Mortgage Securities Corp., Commercial Mtg. Pass-Through Certificates:		
Series 2005-LDP4, Cl. AM, 4.999%, 10/1/42	485,000	309,039
Series 2007-LD11, Cl. A2, 5.992%, 6/15/49 ³	270,000	249,324
Series 2007-LDPX, Cl. A2S, 5.305%, 1/15/49	235,000	212,800
LB-UBS Commercial Mortgage Trust 2006-C1, Commercial Mtg. Pass-Through Certificates:		
Series 2006-C1, Cl. A2, 5.084%, 2/11/31	345,000	334,667
Series 2006-C1, Cl. AM, 5.217%, 2/11/31 ³	1,010,000	637,036
LB-UBS Commercial Mortgage Trust 2007-C7, Commercial Mtg. Pass-Through Certificates, Series 2007-C7, Cl. AM, 6.166%, 9/11/45 ³	550,000	267,338

	Principal Amount	Value
Mortgage-Backed Obligations Continued		
Mastr Adjustable Rate Mortgages Trust 2004-13, Mtg. Pass-Through Certificates, Series 2004-13, Cl. 2A2, 4.369%, 4/1/34 ³	\$ 321,142	\$ 282,936
Mastr Alternative Loan Trust 2004-6, Mtg. Pass-Through Certificates, Series 2004-6, Cl. 10A1, 6%, 7/25/34	686,469	525,992
Nomura Asset Securities Corp., Commercial Mtg. Pass-Through Certificates, Series 1998-D6, Cl. A1B, 6.59%, 3/15/30	3,127	3,131
RALI Series 2003-QS1 Trust, Mtg. Asset-Backed Pass-Through Certificates, Series 2003-QS1, Cl. A2, 5.75%, 1/25/33	243,409	231,554
RALI Series 2006-QS13 Trust, Mtg. Asset-Backed Pass-Through Certificates, Series 2006-QS13, Cl. 1A8, 6%, 9/25/36	257,133	238,653
RALI Series 2006-QS5 Trust, Mtg. Asset-Backed Pass-Through Certificates, Series 2006-QS5, Cl. 2A2, 6%, 5/1/36	28,635	27,886
WaMu Mortgage Pass-Through Certificates 2003-AR9 Trust, Mtg. Pass-Through Certificates, Series 2003-AR9, Cl. 2A, 4.478%, 9/25/33 ³	447,856	403,464
Wells Fargo Mortgage-Backed Securities 2004-AA Trust, Mtg. Pass-Through Certificates, Series 2004-AA, Cl. 2A, 4.981%, 12/25/34 ³	345,680	308,216
Wells Fargo Mortgage-Backed Securities 2004-S Trust, Mtg. Pass-Through Certificates, Series 2004-S, Cl. A1, 3.581%, 9/25/34 ³	294,122	255,932
Wells Fargo Mortgage-Backed Securities 2006-AR6 Trust, Mtg. Pass-Through Certificates, Series 2006-AR6, Cl. 3A1, 5.092%, 3/25/36 ³	370,450	251,879
Total Mortgage-Backed Obligations (Cost \$52,039,544)		49,976,424
U.S. Government Obligations—0.6%		
Federal Home Loan Mortgage Corp. Nts., 2.50%, 4/23/14	765,000	754,075
Federal National Mortgage Assn. Nts., 2.50%, 5/15/14	625,000	615,404
Total U.S. Government Obligations (Cost \$1,387,524)		1,369,479
Non-Convertible Corporate Bonds and Notes—8.3%		
Altria Group, Inc., 9.70% Sr. Unsec. Nts., 11/10/18	280,000	321,514
American Express Bank FSB, 5.50% Sr. Unsec. Nts., 4/16/13	155,000	152,291

	Principal Amount	Value
Non-Convertible Corporate Bonds and Notes Continued		
American Express Co., 8.125% Sr. Unsec. Nts., 5/20/19	\$ 100,000	\$ 103,949
American International Group, Inc., 6.25% Jr. Sub. Bonds, 3/15/37	320,000	84,000
Analog Devices, Inc., 5% Sr. Unsec. Nts., 7/1/14	67,000	67,217
Anheuser-Busch InBev Worldwide, Inc.: 8% Sr. Nts., 11/15/39 ⁹	65,000	70,983
8.20% Sr. Unsec. Unsub. Nts., 1/15/39 ⁹	250,000	278,915
AT&T Inc., 6.30% Sr. Unsec. Bonds, 1/15/38	365,000	353,459
Atmos Energy Corp., 8.50% Sr. Unsec. Nts., 3/15/19	80,000	93,574
Axa SA, 6.379% Sub. Perpetual Bonds ^{9,10}	260,000	166,804
BAE Systems Holdings, Inc., 6.375% Nts., 6/1/19 ⁹	170,000	174,124
Barclays Bank plc, 6.278% Perpetual Bonds ¹⁰	130,000	70,315
Browning-Ferris Industries, Inc., 7.40% Sr. Unsec. Debs., 9/15/35	150,000	140,757
Bunge Ltd. Finance Corp.: 5.35% Sr. Unsec. Unsub. Nts., 4/15/14	190,000	185,137
8.50% Sr. Unsec. Nts., 6/15/19	150,000	157,112
Centex Corp., 5.80% Sr. Unsec. Nts., 9/15/09 ²	485,000	485,606
CenturyTel, Inc., 8.375% Sr. Unsec. Nts., Series H, 10/15/10	125,000	130,978
CIT Group Funding Co. of Canada, 4.65% Sr. Unsec. Nts., 7/1/10	330,000	280,527
Citigroup, Inc.: 5.50% Unsec. Sub. Nts., 2/15/17	215,000	175,445
5.625% Unsec. Sub. Nts., 8/27/12	140,000	131,202
6.125% Sub. Nts., 8/25/36	185,000	137,993
8.30% Jr. Sub. Bonds, 12/21/57 ³	85,000	66,387
Comcast Cable Communications Holdings, Inc., 9.455% Sr. Unsec. Nts., 11/15/22	115,000	134,721
Comcast Cable Communications, Inc., 8.875% Unsub. Nts., 5/1/17	200,000	235,469
ConAgra Foods, Inc., 7% Nts., 4/15/19	160,000	175,719
ConocoPhillips, 6.50% Sr. Unsec. Nts., 2/1/39	70,000	74,662
Covidien International Finance SA, 6.55% Sr. Unsec. Unsub. Nts., 10/15/37	170,000	188,718
Credit Suisse New York, 6% Unsec. Sub. Nts., 2/15/18	210,000	209,997
CSX Corp., 7.375% Sr. Unsec. Nts., 2/1/19	265,000	288,300
Daimler Finance North America LLC, 6.50% Sr. Unsec. Unsub. Nts., 11/15/13	175,000	178,128

	Principal Amount	Value
Non-Convertible Corporate Bonds and Notes Continued		
Delhaize America, Inc., 9% Unsub. Debs., 4/15/31	\$ 95,000	\$ 115,507
Deutsche Telekom International Finance BV, 8.50% Unsub. Nts., 6/15/10 ³	167,000	175,681
Duke Energy Carolinas LLC, 6.10% Sr. Unsec. Unsub. Nts., 6/1/37	165,000	173,062
Enterprise Products Operating LP, 7.50% Sr. Unsec. Unsub. Nts., 2/1/11	195,000	204,467
Exelon Generation Co. LLC, 6.20% Sr. Nts., 10/1/17	102,000	101,676
Fisher Scientific International, Inc., 6.125% Sr. Unsec. Sub. Nts., 7/1/15	185,000	185,924
Ford Motor Credit Co. LLC, 9.75% Sr. Unsec. Nts., 9/15/10	595,000	570,102
Genentech, Inc., 5.25% Sr. Unsec. Unsub. Nts., 7/15/35	190,000	177,375
General Electric Capital Corp.: 5.45% Sr. Unsec. Nts., Series A, 1/15/13	285,000	292,825
5.875% Unsec. Unsub. Nts., 1/14/38	135,000	107,031
Goldman Sachs Capital, Inc. (The), 6.345% Sub. Bonds, 2/15/34	313,000	252,934
Goldman Sachs Group, Inc. (The), 7.50% Sr. Unsec. Nts., 2/15/19	120,000	128,714
Home Depot, Inc. (The), 5.40% Sr. Nts., 3/1/16	120,000	119,974
Hospira, Inc., 6.40% Sr. Unsec. Unsub. Nts., 5/15/15	30,000	31,634
HSBC Finance Capital Trust IX, 5.911% Nts., 11/30/35 ³	430,000	227,545
John Deere Capital Corp., 5.75% Sr. Nts., 9/10/18	160,000	163,547
JPMorgan Chase & Co.: 5.125% Unsec. Sub. Nts., 9/15/14	155,000	154,493
7.90% Perpetual Bonds, Series 1 ¹⁰	345,000	302,748
Kaneb Pipe Line Operating Partnership LP, 5.875% Sr. Unsec. Nts., 6/1/13	350,000	326,563
Kinder Morgan Energy Partners LP, 9% Sr. Unsec. Nts., 2/1/19	150,000	170,894
Kraft Foods, Inc., 6.875% Sr. Unsec. Unsub. Nts., 2/1/38	135,000	143,078
Lehman Brothers Holdings, Inc., 7.50% Sub. Nts., 5/11/38 ^{2,11}	1,895,000	190
Merrill Lynch & Co., Inc., 7.75% Jr. Sub. Bonds, 5/14/38	640,000	595,475
MetLife, Inc., 6.40% Jr. Unsec. Sub. Bonds, 12/15/36 ³	155,000	111,116
Monongahela Power Co., 7.36% Unsec. Nts., Series A, 1/15/10	330,000	334,257
Morgan Stanley: 5.55% Sr. Unsec. Unsub. Nts., Series F, 4/27/17	100,000	93,232

STATEMENT OF INVESTMENTS Unaudited / Continued

	Principal Amount	Value
Non-Convertible Corporate Bonds and Notes Continued		
Morgan Stanley: Continued		
7.30% Sr. Unsec. Nts., 5/13/19	\$ 445,000	\$ 462,253
News America, Inc., 6.65% Sr. Unsec. Unsub. Nts., 11/15/37	165,000	148,686
Nexen, Inc., 6.40% Sr. Unsec. Unsub. Bonds, 5/15/37	170,000	156,466
Noble Energy, Inc., 8.25% Sr. Unsec. Nts., 3/1/19	185,000	210,842
Nokia Corp., 5.375% Sr. Unsec. Nts., 5/15/19	175,000	177,390
Oncor Electric Delivery Co.: 5.95% Sec. Bonds, 9/1/13	110,000	114,599
6.375% Sr. Sec. Nts., 1/15/15	125,000	130,905
Oracle Corp., 6.125% Sr. Unsec. Nts., 7/8/39 ⁷	225,000	222,615
Pacific Gas & Electric Co., 6.25% Sr. Unsec. Unsub. Nts., 3/1/39	115,000	123,196
Petro-Canada, 5.95% Sr. Unsec. Unsub. Bonds, 5/15/35	100,000	90,313
PF Export Receivables Master Trust, 3.748% Sr. Nts., Series B, 6/1/13 ⁹	219,741	225,349
Plains All American Pipeline LP, 6.50% Sr. Unsec. Unsub. Nts., 5/1/18	215,000	217,923
PNC Funding Corp., 5.25% Gtd. Unsec. Sub. Nts., 11/15/15	210,000	200,007
Pride International, Inc., 8.50% Sr. Nts., 6/15/19	200,000	198,500
Prudential Holdings LLC, 8.695% Bonds, Series C, 12/18/23 ⁹	185,000	177,371
Prudential Insurance Co. of America, 8.30% Nts., 7/1/25 ⁹	235,000	213,899
R.R. Donnelley & Sons Co., 5.625% Sr. Unsec. Nts., 1/15/12	350,000	338,324
Rogers Wireless, Inc., 9.625% Sr. Sec. Nts., 5/1/11	33,000	36,017
Safeway, Inc., 6.50% Sr. Unsec. Nts., 3/1/11	115,000	121,848
Sara Lee Corp., 6.25% Sr. Unsec. Unsub. Nts., 9/15/11	165,000	174,502
Schering-Plough Corp., 6% Sr. Unsec. Nts., 9/15/17	165,000	175,988
Sempra Energy: 6.50% Sr. Unsec. Nts., 6/1/16	100,000	104,518
9.80% Sr. Unsec. Nts., 2/15/19	145,000	175,898
Staples, Inc., 7.75% Sr. Unsec. Unsub. Nts., 4/1/11	137,000	144,948
Target Corp., 7% Bonds, 1/15/38	135,000	144,165
Telecom Italia Capital SA, 4.875% Sr. Unsec. Unsub. Nts., 10/1/10	345,000	348,635

	Principal Amount	Value
Non-Convertible Corporate Bonds and Notes Continued		
Telefonica Europe BV, 7.75% Unsec. Nts., 9/15/10	\$ 165,000	\$ 174,121
Telus Corp., 8% Nts., 6/1/11	265,000	284,583
TEPPCO Partners LP, 6.125% Nts., 2/1/13	490,000	488,650
Time Warner Cable, Inc., 7.30% Sr. Nts., 7/1/38	65,000	67,854
Time Warner Cos., Inc., 9.125% Debs., 1/15/13	250,000	275,526
Time Warner Entertainment Co. LP, 8.375% Sr. Nts., 7/15/33	100,000	112,142
Tyco International Ltd./Tyco International Finance SA, 6.875% Sr. Unsec. Unsub. Nts., 1/15/21	355,000	336,291
Union Pacific Corp.: 5.75% Sr. Unsec. Unsub. Nts., 11/15/17	100,000	100,968
6.125% Sr. Unsec. Nts., 2/15/20	180,000	187,006
United Health Group, Inc., 6% Sr. Unsec. Nts., 2/15/18	80,000	76,904
Vale Overseas Ltd.: 6.25% Nts., 1/23/17	135,000	136,774
6.875% Bonds, 11/21/36	210,000	200,256
Valero Logistics Operations LP, 6.05% Nts., 3/15/13	35,000	33,437
Verizon Communications, Inc., 6.40% Sr. Unsec. Nts., 2/15/38	285,000	279,625
Viacom, Inc.: 6.25% Sr. Unsec. Nts., 4/30/16	75,000	73,980
6.875% Sr. Unsec. Nts., 4/30/36	155,000	143,085
Wachovia Corp., 5.625% Sub. Nts., 10/15/16	90,000	86,104
WellPoint, Inc., 5% Sr. Unsec. Unsub. Nts., 1/15/11	170,000	174,366
Wells Fargo Capital X, 5.95% Unsec. Sub. Bonds, 12/15/36	285,000	211,499
Williams Cos., Inc. (The), 8.75% Unsec. Nts., 3/15/32	140,000	141,046
Xstrata Canada Corp.: 5.375% Sr. Unsec. Unsub. Nts., 6/1/15	180,000	159,663
6% Sr. Unsec. Unsub. Nts., 10/15/15	132,000	117,076
Xstrata Finance Canada Ltd., 6.90% Nts., 11/15/37 ^{7,9}	233,000	186,110
XTO Energy, Inc., 6.50% Sr. Unsec. Unsub. Nts., 12/15/18	65,000	69,858
Total Non-Convertible Corporate Bonds and Notes (Cost \$21,400,746)		19,526,128

	Shares	Value
Investment Companies—21.9%		
JPMorgan U.S. Treasury Plus Money Market Fund, Agency Shares, 0.00% ^{12,14}	185,881	\$ 185,881
Oppenheimer Institutional Money Market Fund, Cl. E, 0.48% ^{12,13}	51,211,612	51,211,612
Total Investment Companies (Cost \$51,397,493)		51,397,493
Total Investments, at Value (Cost \$274,680,039)	111.5%	261,751,616
Liabilities in Excess of Other Assets	(11.5)	(26,968,077)
Net Assets	100.0%	\$234,783,539

Footnotes to Statement of Investments

1. Non-income producing security.
2. Illiquid security. The aggregate value of illiquid securities as of June 30, 2009 was \$485,797, which represents 0.21% of the Fund's net assets. See Note 6 of accompanying Notes.
3. Represents the current interest rate for a variable or increasing rate security.
4. A sufficient amount of liquid assets has been designated to cover outstanding written put options. See Note 5 of accompanying Notes.
5. Interest-Only Strips represent the right to receive the monthly interest payments on an underlying pool of mortgage loans. These securities typically decline in price as interest rates decline. Most other fixed income securities increase in price when interest rates decline. The principal amount of the underlying pool represents the notional amount on which current interest is calculated. The price of these securities is typically more sensitive to changes in prepayment rates than traditional mortgage-backed securities (for example, GNMA pass-throughs). Interest rates disclosed represent current yields based upon the current cost basis and estimated timing and amount of future cash flows. These securities amount to \$3,946,696 or 1.68% of the Fund's net assets as of June 30, 2009.
6. Principal-Only Strips represent the right to receive the monthly principal payments on an underlying pool of mortgage loans. The value of these securities generally increases as interest rates decline and prepayment rates rise. The price of these securities is typically more volatile than that of coupon-bearing bonds of the same maturity. Interest rates disclosed represent current yields based upon the current cost basis and estimated timing of future cash flows. These securities amount to \$303,124 or 0.13% of the Fund's net assets as of June 30, 2009.
7. When-issued security or delayed delivery to be delivered and settled after June 30, 2009. See Note 1 of accompanying Notes.
8. All or a portion of the security is held in collateralized accounts to cover initial margin requirements on open futures contracts. The aggregate market value of such securities is \$370,250. See Note 5 of accompanying Notes.
9. 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 \$1,493,555 or 0.64% of the Fund's net assets as of June 30, 2009.
10. 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.
11. Issue is in default. See Note 1 of accompanying Notes.
12. Rate shown is the 7-day yield as of June 30, 2009.
13. Is or was an affiliate, as defined in the Investment Company Act of 1940, at or during the period ended June 30, 2009, 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, 2008	Gross Additions	Gross Reductions	Shares June 30, 2009
Oppenheimer Institutional Money Market Fund, Cl. E	8,646,429	94,480,379	51,915,196	51,211,612
			Value	Income
Oppenheimer Institutional Money Market Fund, Cl. E			\$51,211,612	\$137,168

14. Interest rate less than 0.0005%.

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 (such as unadjusted quoted prices for similar assets and market corroborated inputs such as interest rates, prepayment speeds, credit risks, etc.)
- 3) Level 3—unobservable inputs (including the Manager's own judgments about assumptions that market participants would use in pricing the asset).

STATEMENT OF INVESTMENTS Unaudited / Continued

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, 2009 based on valuation input level:

	Level 1— Unadjusted Quoted Prices	Level 2— Other Significant Observable Inputs	Level 3— Significant Unobservable Inputs	Value
Assets Table				
Investments, at Value:				
Common Stocks				
Consumer Discretionary	\$ 10,845,734	\$ —	\$—	\$ 10,845,734
Consumer Staples	10,075,279	—	—	10,075,279
Energy	11,016,977	—	—	11,016,977
Financials	12,634,256	—	—	12,634,256
Health Care	16,965,675	—	—	16,965,675
Industrials	6,312,476	—	—	6,312,476
Information Technology	52,056,350	—	—	52,056,350
Materials	4,250,278	—	—	4,250,278
Telecommunication Services	26	—	—	26
Utilities	1,312,018	—	—	1,312,018
Preferred Stocks	4,134,720	4,261,960	—	8,396,680
Rights, Warrants and Certificates	1	—	—	1
Asset-Backed Securities	—	5,616,342	—	5,616,342
Mortgage-Backed Obligations	—	49,976,424	—	49,976,424
U.S. Government Obligations	—	1,369,479	—	1,369,479
Non-Convertible Corporate Bonds and Notes	—	19,526,128	—	19,526,128
Investment Companies	51,397,493	—	—	51,397,493
Total Investments, at Value	181,001,283	80,750,333	—	261,751,616
Other Financial Instruments:				
Swaps	—	32,214	—	32,214
Futures	9,204	—	—	9,204
Total Assets	\$181,010,487	\$80,782,547	\$—	\$261,793,034
Liabilities Table				
Other Financial Instruments:				
Swaps	\$ —	\$ (54,784)	\$—	\$ (54,784)
Options written	—	—	—	—
Futures	(21,608)	—	—	(21,608)
Total Liabilities	\$ (21,608)	\$ (54,784)	\$—	\$ (76,392)

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.

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 techniques, if any, during the reporting period.

Futures Contracts as of June 30, 2009 are as follows:

Contract Description	Buy/Sell	Number of Contracts	Expiration Date	Value	Unrealized Appreciation
U.S. Treasury Long Bonds	Buy	60	9/21/09	\$ 7,101,563	\$ 130,049
U.S. Treasury Nts., 2 yr.	Sell	10	9/30/09	2,162,188	5,465
U.S. Treasury Nts., 5 yr.	Sell	19	9/30/09	2,179,656	23,544
U.S. Treasury Nts., 10 yr.	Buy	105	9/21/09	12,207,891	165,430
					\$324,488

Written Options as of June 30, 2009 are as follows:

Description	Type	Number of Contracts	Exercise Price	Expiration Date	Premiums Received	Value
Aetna, Inc.	Put	494	\$17.50	7/20/09	\$ 104,769	\$—
Electronic Arts, Inc.	Put	494	12.50	9/21/09	72,618	—
					\$177,387	\$—

Credit Default Swap Contracts as of June 30, 2009 are as follows:

Swap Reference Entity	Counterparty	Buy/Sell Credit Protection	Notional Amount (000's)	Receive Fixed Rate	Termination Date	Value
Inco Ltd.:	Morgan Stanley Capital Services, Inc.	Buy	\$ 545	0.70%	3/20/17	\$ 10,659
	Morgan Stanley Capital Services, Inc.	Buy	550	0.63	3/20/17	13,308
		Total	1,095			23,967
Merrill Lynch & Co., Inc.:	Barclays Bank plc	Sell	1,080	4.15	9/20/09	5,498
	Credit Suisse International	Sell	540	4.15	9/20/09	2,749
		Total	1,620			8,247
Vale Overseas:	Morgan Stanley Capital Services, Inc.	Sell	545	1.17	3/20/17	(26,026)
	Morgan Stanley Capital Services, Inc.	Sell	550	1.10	3/20/17	(28,758)
		Total	1,095			(54,784)
				Grand Total Buys		23,967
				Grand Total Sells		(46,537)
				Total Credit Default Swaps		\$(22,570)

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

Type of Reference Asset on which the Fund Sold Protection	Total Maximum Potential Payments for Selling Credit Protection (Undiscounted)	Amount Recoverable*	Reference Asset Rating Range**
Investment Grade Single Name Corporate Debt	\$2,715,000	\$—	A to BBB+

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

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

Swap Summary as of June 30, 2009 is as follows:

The following table aggregates, as of period, the amount receivable from/(payable to) each counterparty with whom the Fund has entered into a swap agreement. Swaps are individually disclosed in the preceding tables.

Swap Counterparty	Swap Type from Fund Perspective	Notional Amount (000's)	Value
Barclays Bank plc	Credit Default Sell Protection	\$1,080	\$ 5,498
Credit Suisse International	Credit Default Sell Protection	540	2,749
Morgan Stanley Capital Services, Inc.:	Credit Default Buy Protection	1,095	23,967
	Credit Default Sell Protection	1,095	(54,784)
			(30,817)
	Total Swaps		\$(22,570)

See accompanying Notes to Financial Statements.

STATEMENT OF ASSETS AND LIABILITIES Unaudited

June 30, 2009

Assets	
Investments, at value—see accompanying statement of investments:	
Unaffiliated companies (cost \$223,468,427)	\$ 210,540,004
Affiliated companies (cost \$51,211,612)	51,211,612
	<u>261,751,616</u>
Swaps, at value	32,214
Receivables and other assets:	
Investments sold (including \$3,362,506 sold on a when-issued or delayed delivery basis)	4,069,169
Interest, dividends and principal paydowns	744,817
Terminated investment contracts	20,836
Futures margins	9,204
Other	13,128
	<u>266,640,984</u>

Liabilities	
Swaps, at value	54,784
Option written, at value (premiums received \$177,387)	—
Payables and other liabilities:	
Investments purchased (including \$31,295,733 purchased on a when-issued or delayed delivery basis)	31,412,560
Shares of beneficial interest redeemed	272,727
Distribution and service plan fees	43,941
Futures margins	21,608
Transfer and shareholder servicing agent fees	19,222
Trustees' compensation	8,148
Shareholder communications	5,504
Other	18,951
	<u>31,857,445</u>

Net Assets	<u>\$234,783,539</u>
-------------------	-----------------------------

Composition of Net Assets	
Par value of shares of beneficial interest	\$ 25,788
Additional paid-in capital	341,381,668
Accumulated net investment income	3,943,815
Accumulated net realized loss on investments and foreign currency transactions	(98,123,258)
Net unrealized depreciation on investments and translation of assets and liabilities denominated in foreign currencies	(12,444,474)
	<u>\$234,783,539</u>

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 \$157,773,058 and 17,274,194 shares of beneficial interest outstanding)	\$9.13
Service Shares:	
Net asset value, redemption price per share and offering price per share (based on net assets of \$77,010,481 and 8,513,417 shares of beneficial interest outstanding)	\$9.05

See accompanying Notes to Financial Statements.

STATEMENT OF OPERATIONS Unaudited

For the Six Months Ended June 30, 2009

Investment Income	
Interest (net of foreign withholding taxes of \$102)	\$ 2,700,427
Dividends:	
Unaffiliated companies (net of foreign withholding taxes of \$20,030)	1,219,219
Affiliated companies	137,168
Total investment income	4,056,814
Expenses	
Management fees	835,020
Distribution and service plan fees—Service shares	84,838
Transfer and shareholder servicing agent fees:	
Non-Service shares	29,565
Service shares	15,736
Shareholder communications:	
Non-Service shares	30,125
Service shares	13,281
Trustees' compensation	5,968
Custodian fees and expenses	1,951
Other	27,551
Total expenses	1,044,035
Less waivers and reimbursements of expenses	(273,067)
Net expenses	770,968
Net Investment Income	3,285,846
Realized and Unrealized Gain (Loss)	
Net realized gain (loss) on:	
Investments from unaffiliated companies	(29,412,709)
Closing and expiration of futures contracts	(447,919)
Foreign currency transactions	(602,684)
Short positions	2,696
Swap contracts	(4,860,274)
Net realized loss	(35,320,890)
Net change in unrealized appreciation (depreciation) on:	
Investments	49,828,061
Translation of assets and liabilities denominated in foreign currencies	(169,603)
Futures contracts	(622,210)
Option contracts written	177,387
Swap contracts	(469,957)
Net change in unrealized depreciation	48,743,678
Net Increase in Net Assets Resulting from Operations	\$ 16,708,634

See accompanying Notes to Financial Statements.

STATEMENTS OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2009 (Unaudited)	Year Ended December 31, 2008
Operations		
Net investment income	\$ 3,285,846	\$ 12,177,619
Net realized loss	(35,320,890)	(85,153,827)
Net change in unrealized depreciation	48,743,678	(121,531,304)
Net increase (decrease) in net assets resulting from operations	16,708,634	(194,507,512)
Dividends and/or Distributions to Shareholders		
Dividends from net investment income:		
Non-Service shares	—	(8,878,080)
Service shares	—	(2,607,795)
	—	(11,485,875)
Distributions from net realized gain:		
Non-Service shares	—	(21,412,945)
Service shares	—	(7,011,379)
	—	(28,424,324)
Beneficial Interest Transactions		
Net increase (decrease) in net assets resulting from beneficial interest transactions:		
Non-Service shares	(22,928,595)	(42,030,701)
Service shares	2,584,227	7,520,395
	(20,344,368)	(34,510,306)
Net Assets		
Total decrease	(3,635,734)	(268,928,017)
Beginning of period	238,419,273	507,347,290
End of period (including accumulated net investment income of \$3,943,815 and \$657,969, respectively)	\$234,783,539	\$238,419,273

See accompanying Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

Non-Service Shares	Six Months	Year Ended December 31,				
	Ended June 30, 2009 (Unaudited)	2008	2007	2006	2005	2004
Per Share Operating Data						
Net asset value, beginning of period	\$ 8.45	\$16.41	\$ 17.69	\$ 17.07	\$ 17.35	\$ 15.92
Income (loss) from investment operations:						
Net investment income ¹	.13	.41	.43	.40	.33	.26
Net realized and unrealized gain (loss)	.55	(7.03)	.19	1.38	.31	1.33
Total from investment operations	.68	(6.62)	.62	1.78	.64	1.59
Dividends and/or distributions to shareholders:						
Dividends from net investment income	—	(.39)	(.46)	(.36)	(.30)	(.16)
Distributions from net realized gain	—	(.95)	(1.44)	(.80)	(.62)	—
Total dividends and/or distributions to shareholders	—	(1.34)	(1.90)	(1.16)	(.92)	(.16)
Net asset value, end of period	\$9.13	\$ 8.45	\$16.41	\$17.69	\$17.07	\$17.35
Total Return, at Net Asset Value²	8.05%	(43.47)%	3.79%	11.15%	3.89%	10.10%
Ratios/Supplemental Data						
Net assets, end of period (in thousands)	\$157,773	\$169,621	\$385,948	\$435,639	\$503,753	\$547,290
Average net assets (in thousands)	\$156,267	\$295,669	\$418,103	\$456,513	\$522,754	\$528,655
Ratios to average net assets: ³						
Net investment income	3.02%	3.14%	2.55%	2.42%	1.98%	1.59%
Total expenses	0.86% ⁴	0.76% ⁴	0.75% ⁴	0.75% ⁴	0.74%	0.74%
Expenses after payments, waivers and/or reimbursements and reduction to custodian expenses	0.61%	0.67%	0.73%	0.75%	0.74%	0.74%
Portfolio turnover rate ⁵	43%	67%	68%	76%	67%	68%

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

2. Assumes an 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, 2009	0.88%
Year Ended December 31, 2008	0.76%
Year Ended December 31, 2007	0.75%
Year Ended December 31, 2006	0.75%

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

	Purchase Transactions	Sale Transactions
Six Months Ended June 30, 2009	\$ 223,852,742	\$ 244,141,910
Year Ended December 31, 2008	\$ 474,582,075	\$ 434,587,487
Year Ended December 31, 2007	\$ 296,201,319	\$ 315,527,720
Year Ended December 31, 2006	\$ 612,825,833	\$ 666,549,894
Year Ended December 31, 2005	\$ 1,224,652,741	\$1,250,455,539
Year Ended December 31, 2004	\$1,460,076,994	\$1,473,590,963

See accompanying Notes to Financial Statements.

FINANCIAL HIGHLIGHTS Continued

Service Shares	Six Months	Year Ended December 31,				
	Ended June 30, 2009 (Unaudited)	2008	2007	2006	2005	2004
Per Share Operating Data						
Net asset value, beginning of period	\$ 8.38	\$16.28	\$ 17.57	\$ 16.97	\$ 17.26	\$ 15.87
Income (loss) from investment operations:						
Net investment income ¹	.11	.37	.38	.36	.29	.23
Net realized and unrealized gain (loss)	.56	(6.97)	.19	1.37	.31	1.31
Total from investment operations	.67	(6.60)	.57	1.73	.60	1.54
Dividends and/or distributions to shareholders:						
Dividends from net investment income	—	(.35)	(.42)	(.33)	(.27)	(.15)
Distributions from net realized gain	—	(.95)	(1.44)	(.80)	(.62)	—
Total dividends and/or distributions to shareholders	—	(1.30)	(1.86)	(1.13)	(.89)	(.15)
Net asset value, end of period	\$9.05	\$ 8.38	\$16.28	\$17.57	\$16.97	\$17.26
Total Return, at Net Asset Value²	8.00%	(43.62)%	3.49%	10.86%	3.67%	9.79%
Ratios/Supplemental Data						
Net assets, end of period (in thousands)	\$77,011	\$ 68,798	\$121,399	\$111,363	\$88,156	\$59,650
Average net assets (in thousands)	\$69,262	\$100,164	\$117,012	\$100,010	\$72,977	\$39,851
Ratios to average net assets: ³						
Net investment income	2.75%	2.90%	2.30%	2.17%	1.74%	1.41%
Total expenses	1.11% ⁴	1.01% ⁴	1.00% ⁴	1.01% ⁴	1.00%	1.02%
Expenses after payments, waivers and/or reimbursements and reduction to custodian expenses	0.86%	0.92%	0.98%	1.01%	1.00%	1.02%
Portfolio turnover rate ⁵	43%	67%	68%	76%	67%	68%

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

2. Assumes an 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, 2009	1.13%
Year Ended December 31, 2008	1.01%
Year Ended December 31, 2007	1.00%
Year Ended December 31, 2006	1.01%

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

	Purchase Transactions	Sale Transactions
Six Months Ended June 30, 2009	\$ 223,852,742	\$ 244,141,910
Year Ended December 31, 2008	\$ 474,582,075	\$ 434,587,487
Year Ended December 31, 2007	\$ 296,201,319	\$ 315,527,720
Year Ended December 31, 2006	\$ 612,825,833	\$ 666,549,894
Year Ended December 31, 2005	\$ 1,224,652,741	\$ 1,250,455,539
Year Ended December 31, 2004	\$ 1,460,076,994	\$ 1,473,590,963

See accompanying Notes to Financial Statements.

1. Significant Accounting Policies

Oppenheimer Balanced 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 total investment return, which includes current income and capital appreciation. The Fund’s investment adviser is OppenheimerFunds, Inc. (the “Manager”).

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

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

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.

Effective for fiscal periods beginning after November 15, 2007, FASB Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, establishes a hierarchy for measuring fair value of assets and liabilities. As required by the standard, 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,” inputs other than unadjusted quoted prices for an asset that are observable are classified as “Level 2” and 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 either by portfolio pricing services approved by the Board of Trustees or dealers. These securities are typically classified within Level 1 or 2; however, they may be designated as Level 3 if the dealer or portfolio pricing service values a security through an internal model with significant unobservable inputs.

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 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.

Corporate, government and municipal debt instruments having a remaining maturity in excess of sixty days and all mortgage-backed securities, collateralized mortgage obligations and other asset-backed securities are valued at the mean between the “bid” and “asked” prices.

“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. These securities are typically designated as Level 2.

1. Significant Accounting Policies Continued

In the absence of a readily available unadjusted quoted market price, 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.

Fair valued securities may be classified as "Level 3" if the Manager's own assumptions about the inputs that market participants would use in valuing such securities are significant to the fair value.

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

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

As of June 30, 2009, the Fund had purchased securities issued on a when-issued or delayed delivery basis and sold securities issued on a delayed delivery basis as follows:

	When-Issued or Delayed Delivery Basis Transactions
Purchased securities	\$31,295,733
Sold securities	3,362,506

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

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

Risks of entering into forward roll transactions include the potential inability of the counterparty to meet the terms of the agreement; the potential of the Fund to receive inferior securities at redelivery as compared to the securities sold to the counterparty; and counterparty credit risk. To assure its future payment of the purchase price, the Fund maintains internally designated assets with a market value equal to or greater than the payment obligation under the roll.

Securities Sold Short. The Fund may short sell when-issued securities for future settlement. The value of the open short position is recorded as a liability, and the Fund records an unrealized gain or loss for the change in value of the open short position. The Fund records a realized gain or loss when the short position is closed out.

As of June 30, 2009, the Fund held no securities sold short.

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 in default, and is not obligated to dispose of securities whose issuers subsequently default. As of June 30, 2009, securities with an aggregate market value of \$190, representing less than 0.005% of the Fund's net assets, were in default.

Foreign Currency Translation. The Fund's accounting records are maintained in U.S. dollars. The values of securities denominated in foreign currencies and amounts related to the purchase and sale of foreign securities and foreign investment income are translated into U.S. dollars as of the close of the Exchange, normally 4:00 P.M. Eastern time, on each day the Exchange is open for trading. Foreign exchange rates may be valued primarily using a reliable bank, dealer or service authorized by the Board of Trustees.

Reported net realized gains and losses from foreign currency transactions arise from sales of portfolio securities, sales and maturities of short-term securities, sales of foreign currencies, exchange rate fluctuations between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized appreciation and depreciation on the translation of assets and liabilities denominated in foreign currencies arise from changes in the values of assets and liabilities, including investments in securities at fiscal period end, resulting from changes in exchange rates.

The effect of changes in foreign currency exchange rates on investments is separately identified from the fluctuations arising from changes in market values of securities held and reported with all other foreign currency gains and losses in the Fund's Statement of Operations.

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. 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

1. Significant Accounting Policies Continued

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, 2008, the Fund did not utilize any capital loss carryforward to offset capital gains realized in that fiscal year. As of December 31, 2008, the Fund had available for federal income tax purposes post-October losses of \$15,792,384, post-October foreign currency losses of \$526, straddle losses of \$277,087 and unused capital loss carryforward as follows:

<u>Expiring</u>	
2016	\$44,402,106

As of June 30, 2009, the Fund had available for federal income tax purposes an estimated capital loss carryforward of \$95,792,993 expiring by 2018. 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, 2009, it is estimated that the Fund will not utilize any capital loss carryforward to offset realized capital gains.

Net investment income (loss) and net realized gain (loss) may differ for financial statement and tax purposes. The character of dividends and distributions made during the fiscal year from net investment income or net realized gains 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, 2009 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	\$ 277,475,534
Federal tax cost of other investments	14,465,734
Total federal tax cost	<u>\$291,941,268</u>
Gross unrealized appreciation	\$ 20,232,245
Gross unrealized depreciation	(35,476,858)
Net unrealized depreciation	<u>\$ (15,244,613)</u>

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 to the compensation deferral plan.

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, 2009		Year Ended December 31, 2008	
	Shares	Amount	Shares	Amount
Non-Service Shares				
Sold	347,403	\$ 2,920,141	908,475	\$ 11,841,885
Dividends and/or distributions reinvested	—	—	2,214,256	30,291,025
Redeemed	(3,144,586)	(25,848,736)	(6,571,367)	(84,163,611)
Net decrease	(2,797,183)	\$(22,928,595)	(3,448,636)	\$(42,030,701)
Service Shares				
Sold	1,045,383	\$8,538,373	1,716,888	\$ 19,475,736
Dividends and/or distributions reinvested	—	—	707,292	9,619,174
Redeemed	(739,831)	(5,954,146)	(1,673,753)	(21,574,515)
Net increase	305,552	\$ 2,584,227	750,427	\$ 7,520,395

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, 2009, were as follows:

	Purchases	Sales
Investment securities	\$ 73,799,352	\$127,803,607
U.S. government and government agency obligations To Be Announced (TBA)	1,387,523	—
mortgage-related securities	223,852,742	244,141,910

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
Over \$800 million	0.60

Transfer Agent Fees. OppenheimerFunds Services (“OFS”), a division of the Manager, acts as the transfer and shareholder servicing agent for the Fund. For the six months ended June 30, 2009, the Fund paid \$27,799 to OFS for services to the Fund.

Distribution and Service Plan for Service 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 to pay OppenheimerFunds Distributor, Inc. (the “Distributor”), for distribution related services, personal service and account maintenance for the Fund’s Service shares. Under the Plan, payments are made periodically at an annual rate of up to 0.25% of the average annual net assets of Service shares of the Fund. The Distributor currently uses all of those fees to compensate sponsor(s) of the insurance product that offers Fund shares, for providing personal service and maintenance of accounts of their variable contract owners that hold Service shares. These fees are paid out of the Fund’s assets on an on-going basis and increase operating expenses of the Service shares, which results in lower performance compared to the Fund’s shares that are not subject to a service fee. Fees incurred by the Fund under the Plan are detailed in the Statement of Operations.

Waivers and Reimbursements of Expenses. The Manager has voluntarily agreed to waive a portion of the advisory fee and/or reimburse certain expenses so the “Expenses after payments, waivers and/or reimbursements and reduction to custodian expenses” will not exceed 0.67% of average annual net assets for Non-Service shares and 0.92% of average annual net assets for Service shares. During the six months ended June 30, 2009, the Manager waived \$143,643 and \$65,190 for Non-Service and Service shares, respectively. This voluntary undertaking may be amended or withdrawn at any time.

Effective April 1, 2009 through March 31, 2010, the Manager has agreed to voluntarily waive its advisory fee by 0.08% of the Fund’s average annual net assets. During the six months ended June 30, 2009, the Manager waived \$45,632. This voluntary waiver will be applied after all other waivers and may be withdrawn at any time.

Prior to May 1, 2009, OFS had voluntarily agreed to limit transfer and shareholder servicing agent fees for all classes to 0.35% of average annual net assets per class.

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, 2009, the Manager waived \$18,602 for IMMF management fees.

5. Risk Exposures and the Use of Derivative Instruments

The Fund's investment objectives not only permit the Fund to purchase investment securities, they also allow the Fund to enter into various types of derivatives contracts, including, but not limited to, futures contracts, forward foreign currency exchange contracts, credit default swaps, interest rate swaps, total return swaps, and purchased and written options. In doing so, the Fund will employ strategies in differing combinations to permit it to increase, decrease, or change the level or types of exposure to market risk factors. Central to those strategies are features inherent to derivatives that make them more attractive for this purpose than equity and debt securities: they require little or no initial cash investment, they can focus exposure on only certain selected risk factors, and they may not require the ultimate receipt or delivery of the underlying security (or securities) to the contract. This may allow the Fund to pursue its objectives more quickly and efficiently than if it were to make direct purchases or sales of securities capable of effecting a similar response to market factors.

Market Risk Factors. In pursuit of its investment objectives, the Fund may seek to use derivatives to increase or decrease its exposure to the following market risk factors:

Interest Rate Risk. Interest rate risk refers to the fluctuations in value of fixed-income securities resulting from the inverse relationship between price and yield. For example, an increase in general interest rates will tend to reduce the market value of already issued fixed-income investments, and a decline in general interest rates will tend to increase their value. In addition, debt securities with longer maturities, which tend to have higher yields, are subject to potentially greater fluctuations in value from changes in interest rates than obligations with shorter maturities.

Credit Risk. Credit risk relates to the ability of the issuer to meet interest and principal payments, or both, as they come due. In general, lower-grade, higher-yield bonds are subject to credit risk to a greater extent than lower-yield, higher-quality bonds.

Foreign Exchange Rate Risk. Foreign exchange rate risk relates to the change in the U.S. dollar value of a security held that is denominated in a foreign currency. The U.S. dollar value of a foreign currency denominated security will decrease as the dollar appreciates against the currency, while the U.S. dollar value will increase as the dollar depreciates against the currency.

Equity Risk. Equity risk relates to the change in value of equity securities as they relate to increases or decreases in the general market.

Risks of Investing in Derivatives. The Fund's use of derivatives can result in losses due to unanticipated changes in the market risk factors and the overall market. In instances where the Fund is using derivatives to decrease, or hedge, exposures to market risk factors for securities held by the Fund, there are also risks that those derivatives may not perform as expected resulting in losses for the combined or hedged positions.

Derivatives may have little or no initial cash investment relative to their market value exposure and therefore can produce significant gains or losses in excess of their cost. This use of embedded leverage allows the Fund to increase its market value exposure relative to its net assets and can substantially increase the volatility of the Fund's performance.

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

Counterparty Credit Risk. Certain derivative positions are subject to counterparty credit risk, which is the risk that the counterparty will not fulfill its obligation to the Fund. The Fund's derivative counterparties are financial institutions who are subject to market conditions that may weaken their financial position. The Fund intends to enter into financial transactions with counterparties that the Manager believes to be creditworthy at the time of the transaction. As of June 30, 2009, the maximum amount of loss that the Fund would incur if the counterparties to its derivative

5. Risk Exposures and the Use of Derivative Instruments Continued

transactions failed to perform would be \$32,214, which represents the gross unrealized appreciation on these derivative contracts. To reduce this risk the Fund has entered into master netting arrangements, established within the Fund's International Swap and Derivatives Association, Inc. ("ISDA") master agreements, which allow the Fund to net unrealized appreciation and depreciation for positions in swaps, over-the-counter options, and forward currency exchange contracts for each individual counterparty. The amount of loss that the Fund would incur taking into account these master netting arrangements would be \$8,247 as of June 30, 2009.

Credit Related Contingent Features. The Fund has several credit related contingent features that if triggered would allow its derivatives counterparties to close out and demand payment or additional collateral to cover their exposure from the Fund. Credit related contingent features are established between the Fund and its derivatives counterparties to reduce the risk that the Fund will not fulfill its payment obligations to its counterparties. These triggering features include, but are not limited to, a percentage decrease in the Fund's net assets and or a percentage decrease in the Fund's Net Asset Value or NAV. The contingent features are established within the Fund's ISDA master agreements which govern positions in swaps, over-the-counter options, and forward currency exchange contracts for each individual counterparty.

As of June 30, 2009, the total value of derivative positions with credit related contingent features in a net liability position was \$30,817. If a contingent feature would have been triggered as of June 30, 2009, the Fund could have been required to pay this amount in cash to its counterparties. The Fund did not hold or post collateral for its derivative transactions.

Valuations of derivative instruments as of June 30, 2009 are as follows:

Derivatives not Accounted for as Hedging Instruments under Statement 133(a)	Asset Derivatives		Liability Derivatives	
	Statement of Assets and Liabilities Location	Value	Statement of Assets and Liabilities Location	Value
Credit contracts	Swaps, at value	\$ 32,214	Swaps, at value	\$ 54,784
Interest rate contracts	Futures margins	9,204*	Futures margins	21,608*
Equity contracts			Options written, at value	—
Total		<u>\$41,418</u>		<u>\$76,392</u>

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

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

Derivatives Not Accounted for as Hedging Instruments under Statement 133(a)	Amount of Realized Gain or Loss Recognized on Derivative		
	Closing and expiration of futures contracts	Swap contracts	Total
Interest rate contracts	\$ (447,919)	\$ 584,634	\$ 136,715
Credit contracts	—	(5,444,908)	(5,444,908)
Total	<u>\$(447,919)</u>	<u>\$(4,860,274)</u>	<u>\$(5,308,193)</u>

Derivatives Not Accounted for as Hedging Instruments under Statement 133(a)	Amount of Change in Unrealized Gain or Loss Recognized on Derivative			
	Option contracts written	Futures contracts	Swap contracts	Total
Interest rate contracts	\$ —	\$ (622,210)	\$(1,133,699)	\$(1,755,909)
Equity contracts	177,387	—	—	177,387
Credit contracts	—	—	663,742	663,742
Total	<u>\$177,387</u>	<u>\$(622,210)</u>	<u>\$(469,957)</u>	<u>\$(914,780)</u>

Foreign Currency Exchange Contracts

The Fund may enter into foreign currency exchange contracts (“forward contracts”) for the purchase or sale of a foreign currency at a negotiated rate at a future date.

Forward contracts are reported on a schedule following the Statement of Investments. Forward contracts will be valued daily based upon the closing prices of the forward currency rates determined at the close of the Exchange as provided by a bank, dealer or pricing service. The resulting unrealized appreciation (depreciation) is reported in the Statement of Assets and Liabilities as a receivable or payable and in the Statement of Operations within the change in unrealized appreciation (depreciation). At contract close, the difference between the original cost of the contract and the value at the close date is recorded as a realized gain (loss) in the Statement of Operations.

The Fund has purchased and sold foreign currency exchange contracts of different currencies in order to acquire currencies to pay for related foreign securities purchase transactions, or to convert foreign currencies to U.S. dollars from related foreign securities sale transactions. These foreign currency exchange contracts are negotiated at the current spot exchange rate with settlement typically within two business days thereafter.

Additional associated risk to the Fund includes counterparty credit risk. Counterparty credit risk arises from the possibility that the counterparty will default. If the counterparty defaults, the Fund’s loss will consist of the net amount of contractual payments that the Fund has not yet received.

As of June 30, 2009, the Fund had no outstanding forward contracts.

Futures Contracts

A futures contract is a commitment to buy or sell a specific amount of a financial instrument at a negotiated price on a stipulated future date. The Fund may buy and sell futures contracts and may also buy or write put or call options on these futures contracts.

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

Upon entering into a futures contract, the Fund is required to deposit either cash or securities (initial margin) in an amount equal to a certain percentage of the contract value. Subsequent payments (variation margin) are made or received by the Fund each day. The variation margin payments are equal to the daily changes in the contract value and are recorded as unrealized gains and losses.

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

The Fund has purchased futures contracts on various bonds and notes to increase exposure to interest rate risk.

The Fund has sold futures contracts on various bonds and notes to decrease exposure to interest rate risk.

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

Option Activity

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

Options are valued daily based upon the last sale price on the principal exchange on which the option is traded. The difference between the premium received or paid, and market value of the option, is recorded as unrealized

5. Risk Exposures and the Use of Derivative Instruments Continued

appreciation or depreciation. The net change in unrealized appreciation or depreciation is reported in the Statement of Operations. When an option is exercised, the cost of the security purchased or the proceeds of the security sale are adjusted by the amount of premium received or paid. Upon the expiration or closing of the option transaction, a gain or loss is reported in the Statement of Operations.

Securities designated to cover outstanding call or put options are noted in the Statement of Investments where applicable. Options written are reported in a schedule following the Statement of Investments and as a liability in the Statement of Assets and Liabilities.

The Fund has written put options on individual equity securities and, or, equity indexes to increase exposure to equity risk. A written put option becomes more valuable as the price of the underlying financial instrument appreciates relative to the strike price.

The risk in writing a call option is that the Fund gives up the opportunity for profit if the market price of the security increases and the option is exercised. The risk in writing a put option is that the Fund may incur a loss if the market price of the security decreases and the option is exercised. The risk in buying an option is that the Fund pays a premium whether or not the option is exercised. The Fund also has the additional risk that there may be an illiquid market where the Fund is unable to close the contract.

Additional associated risks to the Fund include counterparty credit risk for over-the-counter options and liquidity risk. Written option activity for the six months ended June 30, 2009 was as follows:

	Put Options	
	Number of Contracts	Amount of Premiums
Options outstanding as of December 31, 2008	—	\$ —
Options written	988	177,387
Options outstanding as of June 30, 2009	988	\$177,387

Swap Contracts

The Fund may enter into swap contract agreements with a counterparty to exchange a series of cash flows based on either specified reference rates, or the occurrence of a credit event, over a specified period. Such contracts may include interest rate, equity, debt, index, total return, credit and currency swaps.

Swaps are marked to market daily using primarily quotations from pricing services, counterparties and brokers. Swap contracts are reported on a schedule following the Statement of Investments. The value of the contracts is separately disclosed on the Statement of Assets and Liabilities. The unrealized appreciation (depreciation) related to the change in the valuation of the notional amount of the swap is combined with the accrued interest due to (owed by) the Fund at termination or settlement. The net change in this amount during the period is included on the Statement of Operations. The Fund also records any periodic payments received from (paid to) the counterparty, including at termination, under such contracts as realized gain (loss) on the Statement of Operations.

Swap contract agreements are exposed to the market risk factor of the specific underlying reference asset. Swap contracts are typically more attractively priced compared to similar investments in related cash securities because they isolate the risk to one market risk factor and eliminate the other market risk factors. Investments in cash securities (for instance bonds) have exposure to multiple risk factors (credit and interest rate risk). Because swaps require little or no initial cash investment, they can expose the Fund to substantial risk in the isolated market risk factor.

Additional associated risks to the Fund include counterparty credit risk and liquidity risk. Counterparty credit risk arises from the possibility that the counterparty will default. If the counterparty defaults, the Fund's loss will consist of the net amount of contractual payments that the Fund has not yet received. If there is an illiquid market for the agreement, the Fund may be unable to close the contract prior to contract termination.

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

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

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

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

The Fund has purchased credit protection through credit default swaps to decrease exposure to the credit risk of individual securities and, or, indexes.

The Fund has sold credit protection through credit default swaps to increase exposure to the credit risk of individual securities and, or, indexes that are either unavailable or considered to be less attractive in the bond market.

The Fund has also engaged in pairs trades by purchasing protection through a credit default swap referenced to the debt of an issuer, and simultaneously selling protection through a credit default swap referenced to the debt of a different issuer. The intent of a pairs trade is to realize gains from the pricing differences of the two issuers who are expected to have similar market risks. Pairs trades attempt to gain exposure to credit risk while hedging or offsetting the effects of overall market movements.

The Fund has engaged in spread curve trades by simultaneously purchasing and selling protection through credit default swaps referenced to the same issuer but with different maturities. Spread curve trades attempt to gain exposure to credit risk on a forward basis by realizing gains on the expected differences in spreads.

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

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

The Fund has entered into interest rate swaps in which it pays a floating interest rate and receives a fixed interest rate in order to increase exposure to interest rate risk. Typically, if relative interest rates rise, payments made by the Fund under a swap agreement will be greater than the payments received by the Fund.

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

As of June 30, 2009, the Fund had no such interest rate swap agreements outstanding.

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

5. Risk Exposures and the Use of Derivative Instruments Continued

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

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

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

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

As of June 30, 2009, the Fund had no such total return swap agreements outstanding.

6. Illiquid Securities

As of June 30, 2009, investments in securities included issues that are illiquid. Investments may be illiquid because they do not have an active trading market, making it difficult to value them or dispose of them promptly at an acceptable price. The Fund will not invest more than 15% of its net assets (determined at the time of purchase and reviewed periodically) in illiquid securities. Securities that are illiquid are marked with an applicable footnote on the Statement of Investments.

7. Subsequent Events Evaluation

The Fund has evaluated the need for disclosures and/or adjustments resulting from subsequent events through August 13, 2009, the date the financial statements were available to be issued. This evaluation determined that there are no subsequent events that necessitated disclosures and/or adjustments.

8. Pending Litigation

During 2009, a number of complaints have been filed in federal courts against the Manager, the Distributor, and certain mutual funds ("Defendant Funds") advised by the Manager and distributed by the Distributor—excluding the Fund. The complaints naming the Defendant Funds also name certain officers, trustees and former trustees of the respective Defendant Funds. The plaintiffs seek class action status on behalf of purchasers of shares of the respective Defendant Fund during a particular time period. The complaints against the Defendant Funds raise claims under federal securities laws alleging that, among other things, the disclosure documents of the respective Defendant Fund contained misrepresentations and omissions, that such Defendant Fund's investment policies were not followed, and that such Defendant Fund and the other defendants violated federal securities laws and regulations. The plaintiffs seek unspecified damages, equitable relief and an award of attorneys' fees and litigation expenses.

A complaint has been brought in state court against the Manager, the Distributor and another subsidiary of the Manager (but not against the Fund), on behalf of the Oregon College Savings Plan Trust. The complaint alleges breach of contract, breach of fiduciary duty, negligence and violation of state securities laws, and seeks compensatory damages, equitable relief and an award of attorneys' fees and litigation expenses.

Other complaints have been filed in 2008 and 2009 in state and federal courts, by investors who made investments through an affiliate of the Manager, against the Manager and certain of its affiliates. Those complaints relate to the alleged investment fraud perpetrated by Bernard Madoff and his firm ("Madoff") and allege 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 an award 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. None of the Oppenheimer funds invested in any funds or accounts managed by Madoff.

The Manager believes that the lawsuits described above are without legal merit and intends to defend them vigorously. The Defendant Funds' Boards of Trustees have also engaged counsel to defend the suits vigorously on behalf of those Funds, their boards and the Trustees named in those suits. While it is premature to render any opinion as to the likelihood of an 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 Funds.

THIS PAGE INTENTIONALLY LEFT BLANK.

PORTFOLIO PROXY VOTING POLICIES AND PROCEDURES; UPDATES TO STATEMENTS OF INVESTMENTS

Unaudited

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 www.oppenheimerfunds.com, and (iii) on the SEC’s website at www.sec.gov. In addition, the Fund is required to file Form N-PX, with its complete proxy voting record for the 12 months ended June 30th, no later than August 31st of each year. The Fund’s voting record is available (i) without charge, upon request, by calling the Fund toll-free at 1.800.525.7048, and (ii) in the Form N-PX filing on the SEC’s website at www.sec.gov.

The Fund files its complete schedule of portfolio holdings with the SEC for the first quarter and the third quarter of each fiscal year on Form N-Q. The Fund’s Form N-Q filings are available on the SEC’s website at <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.

THIS PAGE INTENTIONALLY LEFT BLANK.

THIS PAGE INTENTIONALLY LEFT BLANK.

THIS PAGE INTENTIONALLY LEFT BLANK.

THIS PAGE INTENTIONALLY LEFT BLANK.

OPPENHEIMER BALANCED FUND/VA

A Series of Oppenheimer Variable Account Funds

Trustees and Officers	William L. Armstrong, Chairman of the Board of Trustees and Trustee George C. Bowen, Trustee Edward L. Cameron, Trustee Jon S. Fossil, Trustee Sam Freedman, Trustee Beverly L. Hamilton, Trustee Robert J. Malone, Trustee F. William Marshall, Jr., Trustee John V. Murphy, Trustee, President and Principal Executive Officer Emmanuel Ferreira, Vice President and Portfolio Manager Krishna Memani, Vice President and Portfolio Manager Peter A. Strzalkowski, Vice President and Portfolio Manager Mark S. Vandehey, Vice President and Chief Compliance Officer Brian W. Wixted, Treasurer and Principal Financial & Accounting Officer Robert G. Zack, Vice President and Secretary
------------------------------	--

Manager	OppenheimerFunds, Inc.
----------------	------------------------

Distributor	OppenheimerFunds Distributor, Inc.
--------------------	------------------------------------

Transfer Agent	OppenheimerFunds Services
-----------------------	---------------------------

Independent Registered Public Accounting Firm	KPMG LLP
--	----------

Counsel	K&L Gates LLP
----------------	---------------

Before investing, investors should carefully consider a fund's investment objectives, risks, charges and expenses. Fund prospectuses contain this and other information about the funds, and may be obtained by asking your financial advisor, or calling us at 1.800.981.2871. Read 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.

