



Semianual Report

June 30, 2020

VP Inflation Protection Fund

Class I (APTI^X)

Class II (AIPT^X)

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of the fund's shareholder reports like this one will no longer be sent by mail from the insurance company that offers your contract, unless you specifically request paper copies of the reports from the insurance company or from your financial intermediary. Instead, the reports will be made available on a website, and you will be notified by mail each time a report is posted and provided with a website link to access the report.

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Fund Characteristics

JUNE 30, 2020

| Types of Investments in Portfolio | % of net assets |
|---|-----------------|
| U.S. Treasury Securities | 51.8% |
| Corporate Bonds | 13.6% |
| Collateralized Mortgage Obligations | 10.9% |
| Sovereign Governments and Agencies | 5.7% |
| Asset-Backed Securities | 5.7% |
| U.S. Government Agency Mortgage-Backed Securities | 5.3% |
| Collateralized Loan Obligations | 2.7% |
| U.S. Government Agency Securities | 1.3% |
| Municipal Securities | 0.3% |
| Temporary Cash Investments | 3.3% |
| Other Assets and Liabilities | (0.6)% |

Portfolio at a Glance

| | |
|-----------------------------------|-----------|
| Average Duration (effective) | 7.7 years |
| Weighted Average Life to Maturity | 8.7 years |

Shareholder Fee Example

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

The example is based on an investment of \$1,000 made at the beginning of the period and held for the entire period from January 1, 2020 to June 30, 2020.

Actual Expenses

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

Hypothetical Example for Comparison Purposes

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

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads) or redemption/exchange fees. Therefore, the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

| | Beginning Account Value 1/1/20 | Ending Account Value 6/30/20 | Expenses Paid During Period ⁽¹⁾ 1/1/20 - 6/30/20 | Annualized Expense Ratio ⁽¹⁾ |
|---------------------|-----------------------------------|---------------------------------|--|---|
| Actual | | | | |
| Class I | \$1,000 | \$1,035.60 | \$2.43 | 0.48% |
| Class II | \$1,000 | \$1,034.40 | \$3.69 | 0.73% |
| Hypothetical | | | | |
| Class I | \$1,000 | \$1,022.48 | \$2.41 | 0.48% |
| Class II | \$1,000 | \$1,021.23 | \$3.67 | 0.73% |

(1) Expenses are equal to the class's annualized expense ratio listed in the table above, multiplied by the average account value over the period, multiplied by 182, the number of days in the most recent fiscal half-year, divided by 366, to reflect the one-half year period. Annualized expense ratio reflects actual expenses, including any applicable fee waivers or expense reimbursements and excluding any acquired fund fees and expenses.

Schedule of Investments

JUNE 30, 2020 (UNAUDITED)

| | Principal Amount | Value |
|---|------------------|----------------------|
| U.S. TREASURY SECURITIES — 51.8% | | |
| U.S. Treasury Inflation Indexed Bonds, 2.00%, 1/15/26 ⁽¹⁾ | \$ 15,019,526 | \$ 17,477,155 |
| U.S. Treasury Inflation Indexed Bonds, 2.375%, 1/15/27 | 5,700,778 | 6,930,339 |
| U.S. Treasury Inflation Indexed Bonds, 1.75%, 1/15/28 | 9,614,408 | 11,480,403 |
| U.S. Treasury Inflation Indexed Bonds, 3.625%, 4/15/28 | 3,481,077 | 4,688,784 |
| U.S. Treasury Inflation Indexed Bonds, 2.50%, 1/15/29 | 5,343,911 | 6,856,680 |
| U.S. Treasury Inflation Indexed Bonds, 2.125%, 2/15/40 | 3,202,794 | 4,727,664 |
| U.S. Treasury Inflation Indexed Bonds, 2.125%, 2/15/41 | 3,788,612 | 5,667,490 |
| U.S. Treasury Inflation Indexed Bonds, 0.75%, 2/15/42 | 21,769,587 | 26,106,857 |
| U.S. Treasury Inflation Indexed Bonds, 0.625%, 2/15/43 | 15,145,124 | 17,874,391 |
| U.S. Treasury Inflation Indexed Bonds, 1.375%, 2/15/44 | 11,771,070 | 16,087,743 |
| U.S. Treasury Inflation Indexed Bonds, 0.75%, 2/15/45 | 10,670,142 | 13,073,672 |
| U.S. Treasury Inflation Indexed Bonds, 1.00%, 2/15/46 | 757,442 | 980,972 |
| U.S. Treasury Inflation Indexed Bonds, 1.00%, 2/15/48 | 1,039,710 | 1,377,271 |
| U.S. Treasury Inflation Indexed Bonds, 1.00%, 2/15/49 | 203,778 | 272,504 |
| U.S. Treasury Inflation Indexed Bonds, 0.25%, 2/15/50 | 4,417,818 | 4,966,938 |
| U.S. Treasury Inflation Indexed Notes, 0.625%, 4/15/23 | 4,128,800 | 4,297,819 |
| U.S. Treasury Inflation Indexed Notes, 0.375%, 7/15/23 | 12,229,092 | 12,748,658 |
| U.S. Treasury Inflation Indexed Notes, 0.625%, 1/15/24 | 20,547,934 | 21,664,741 |
| U.S. Treasury Inflation Indexed Notes, 0.25%, 1/15/25 | 25,438,280 | 26,798,350 |
| U.S. Treasury Inflation Indexed Notes, 0.125%, 4/15/25 | 2,977,800 | 3,123,184 |
| U.S. Treasury Inflation Indexed Notes, 0.375%, 7/15/25 ⁽¹⁾ | 14,271,180 | 15,262,694 |
| U.S. Treasury Inflation Indexed Notes, 0.625%, 1/15/26 | 8,254,580 | 8,949,519 |
| U.S. Treasury Inflation Indexed Notes, 0.125%, 7/15/26 | 8,022,150 | 8,530,531 |
| U.S. Treasury Inflation Indexed Notes, 0.375%, 7/15/27 | 12,734,658 | 13,860,421 |
| U.S. Treasury Inflation Indexed Notes, 0.50%, 1/15/28 | 9,250,838 | 10,141,605 |
| U.S. Treasury Inflation Indexed Notes, 0.75%, 7/15/28 | 663,910 | 749,287 |
| U.S. Treasury Inflation Indexed Notes, 0.25%, 7/15/29 | 15,987,164 | 17,507,961 |
| U.S. Treasury Inflation Indexed Notes, 0.125%, 1/15/30 | 29,048,558 | 31,421,877 |
| TOTAL U.S. TREASURY SECURITIES | | 313,625,510 |
| (Cost \$275,236,530) | | (Cost \$275,236,530) |
| CORPORATE BONDS — 13.6% | | |
| Aerospace and Defense — 0.3% | | |
| Boeing Co. (The), 5.15%, 5/1/30 | 600,000 | 670,694 |
| Lockheed Martin Corp., 3.80%, 3/1/45 | 300,000 | 364,744 |
| Raytheon Technologies Corp., 2.25%, 7/1/30 | 570,000 | 595,930 |
| | | 1,631,368 |
| Automobiles — 0.4% | | |
| Ford Motor Credit Co. LLC, MTN, 4.39%, 1/8/26 | 470,000 | 446,282 |
| General Motors Co., 5.15%, 4/1/38 | 1,140,000 | 1,093,610 |
| General Motors Financial Co., Inc., 2.75%, 6/20/25 | 710,000 | 700,487 |
| | | 2,240,379 |
| Banks — 3.1% | | |
| Banco Santander SA, 2.75%, 5/28/25 | 200,000 | 207,402 |
| Bank of America Corp., MTN, 3.30%, 1/11/23 | 720,000 | 766,994 |
| Bank of America Corp., MTN, VRN, 1.32%, 6/19/26 | 1,090,000 | 1,093,887 |
| Bank of America Corp., MTN, VRN, 2.50%, 2/13/31 | 1,735,000 | 1,820,942 |

| | Principal Amount | Value |
|--|------------------|--------------|
| Bank of America Corp., MTN, VRN, 2.68%, 6/19/41 | \$ 1,000,000 | \$ 1,030,868 |
| Barclays plc, VRN, 2.65%, 6/24/31 | 400,000 | 397,916 |
| Citigroup, Inc., 2.35%, 8/2/21 | 362,000 | 369,051 |
| Citigroup, Inc., 4.05%, 7/30/22 | 760,000 | 808,153 |
| Citigroup, Inc., VRN, 4.08%, 4/23/29 | 530,000 | 604,955 |
| Citigroup, Inc., VRN, 2.57%, 6/3/31 | 610,000 | 631,249 |
| Cooperatieve Rabobank UA, 3.95%, 11/9/22 | 250,000 | 264,726 |
| Cooperatieve Rabobank UA, VRN, 1.34%, 6/24/26 ⁽²⁾ | 880,000 | 881,535 |
| Credit Suisse AG, 2.80%, 4/8/22 | 550,000 | 571,348 |
| Credit Suisse AG (New York), MTN, 3.625%, 9/9/24 | 500,000 | 552,559 |
| Discover Bank, 3.45%, 7/27/26 | 450,000 | 486,890 |
| HSBC Holdings plc, VRN, 4.04%, 3/13/28 | 470,000 | 519,682 |
| Huntington Bancshares, Inc., 4.35%, 2/4/23 | 550,000 | 591,807 |
| JPMorgan Chase & Co., 4.50%, 1/24/22 | 1,249,000 | 1,327,402 |
| JPMorgan Chase & Co., VRN, 2.18%, 6/1/28 | 800,000 | 828,583 |
| JPMorgan Chase & Co., VRN, 3.90%, 1/23/49 | 700,000 | 847,223 |
| Lloyds Banking Group plc, VRN, 2.44%, 2/5/26 | 400,000 | 413,407 |
| Nordea Bank Abp, 1.00%, 6/9/23 ⁽²⁾ | 360,000 | 364,188 |
| Royal Bank of Scotland Group plc, VRN, 2.36%, 5/22/24 | 500,000 | 513,680 |
| Truist Bank, 2.25%, 3/11/30 | 898,000 | 908,071 |
| Wells Fargo & Co., 4.125%, 8/15/23 | 280,000 | 305,240 |
| Wells Fargo & Co., MTN, 3.55%, 9/29/25 | 375,000 | 419,079 |
| Wells Fargo & Co., MTN, 4.10%, 6/3/26 | 560,000 | 631,708 |
| Wells Fargo & Co., MTN, VRN, 1.65%, 6/2/24 | 300,000 | 304,988 |
| Wells Fargo & Co., MTN, VRN, 2.39%, 6/2/28 | 220,000 | 227,483 |
| | | 18,691,016 |
| Beverages[†] | | |
| PepsiCo, Inc., 1.625%, 5/1/30 | 290,000 | 296,068 |
| Biotechnology — 0.4% | | |
| AbbVie, Inc., 2.90%, 11/6/22 | 2,000 | 2,099 |
| AbbVie, Inc., 3.85%, 6/15/24 ⁽²⁾ | 350,000 | 384,664 |
| AbbVie, Inc., 4.55%, 3/15/35 ⁽²⁾ | 430,000 | 530,952 |
| AbbVie, Inc., 4.45%, 5/14/46 | 590,000 | 718,447 |
| Amgen, Inc., 3.625%, 5/22/24 | 450,000 | 493,737 |
| Gilead Sciences, Inc., 3.65%, 3/1/26 | 300,000 | 343,589 |
| | | 2,473,488 |
| Capital Markets — 0.9% | | |
| Credit Suisse Group AG, VRN, 2.19%, 6/5/26 ⁽²⁾ | 750,000 | 760,256 |
| Goldman Sachs Group, Inc. (The), 3.75%, 5/22/25 | 1,500,000 | 1,663,034 |
| Goldman Sachs Group, Inc. (The), 3.50%, 11/16/26 | 400,000 | 440,229 |
| Goldman Sachs Group, Inc. (The), 2.60%, 2/7/30 | 627,000 | 655,374 |
| Morgan Stanley, MTN, 3.875%, 1/27/26 | 170,000 | 192,451 |
| Morgan Stanley, MTN, VRN, 2.70%, 1/22/31 | 460,000 | 489,203 |
| Morgan Stanley, VRN, 2.19%, 4/28/26 | 1,246,000 | 1,297,338 |
| | | 5,497,885 |
| Chemicals — 0.1% | | |
| Dow Chemical Co. (The), 3.50%, 10/1/24 | 300,000 | 324,188 |
| Commercial Services and Supplies — 0.1% | | |
| Republic Services, Inc., 2.30%, 3/1/30 | 600,000 | 626,567 |
| Consumer Finance — 0.1% | | |
| Capital One Financial Corp., 3.75%, 3/9/27 | 670,000 | 740,438 |

| | | Principal Amount | Value |
|--|----|------------------|------------|
| Containers and Packaging[†] | | | |
| WRKCo, Inc., 3.00%, 6/15/33 | \$ | 260,000 | \$ 271,842 |
| Diversified Telecommunication Services — 0.7% | | | |
| AT&T, Inc., 4.05%, 12/15/23 | | 200,000 | 222,150 |
| AT&T, Inc., 4.45%, 4/1/24 | | 300,000 | 336,261 |
| AT&T, Inc., 3.80%, 2/15/27 | | 700,000 | 788,936 |
| AT&T, Inc., 2.30%, 6/1/27 | | 225,000 | 232,665 |
| AT&T, Inc., 2.75%, 6/1/31 | | 300,000 | 311,063 |
| AT&T, Inc., 3.50%, 6/1/41 | | 200,000 | 210,809 |
| AT&T, Inc., 4.80%, 6/15/44 | | 350,000 | 414,959 |
| AT&T, Inc., 5.15%, 11/15/46 | | 107,000 | 134,761 |
| Deutsche Telekom International Finance BV, 3.60%, 1/19/27 ⁽²⁾ | | 800,000 | 896,575 |
| Verizon Communications, Inc., 5.01%, 8/21/54 | | 570,000 | 827,214 |
| | | | 4,375,393 |
| Electric Utilities — 0.6% | | | |
| AEP Transmission Co. LLC, 3.75%, 12/1/47 | | 300,000 | 345,270 |
| American Electric Power Co., Inc., 3.20%, 11/13/27 | | 300,000 | 329,749 |
| Duke Energy Corp., 3.15%, 8/15/27 | | 200,000 | 221,780 |
| Duke Energy Florida LLC, 1.75%, 6/15/30 | | 610,000 | 617,115 |
| FirstEnergy Corp., 4.85%, 7/15/47 | | 600,000 | 761,294 |
| NextEra Energy Capital Holdings, Inc., 3.55%, 5/1/27 | | 400,000 | 454,131 |
| Southern Co. Gas Capital Corp., 3.95%, 10/1/46 | | 300,000 | 332,090 |
| Xcel Energy, Inc., 3.40%, 6/1/30 | | 770,000 | 887,745 |
| | | | 3,949,174 |
| Energy Equipment and Services — 0.1% | | | |
| Schlumberger Investment SA, 2.65%, 6/26/30 | | 360,000 | 369,399 |
| Entertainment — 0.1% | | | |
| Walt Disney Co. (The), 2.20%, 1/13/28 | | 430,000 | 449,562 |
| Walt Disney Co. (The), 3.60%, 1/13/51 | | 270,000 | 301,650 |
| | | | 751,212 |
| Equity Real Estate Investment Trusts (REITs) — 0.8% | | | |
| American Tower Corp., 3.30%, 2/15/21 | | 1,450,000 | 1,474,726 |
| Crown Castle International Corp., 3.30%, 7/1/30 | | 882,000 | 964,996 |
| Crown Castle International Corp., 2.25%, 1/15/31 | | 200,000 | 201,905 |
| Equinix, Inc., 1.25%, 7/15/25 | | 475,000 | 477,256 |
| Equinix, Inc., 1.80%, 7/15/27 | | 270,000 | 271,628 |
| Kilroy Realty LP, 3.80%, 1/15/23 | | 301,000 | 311,118 |
| Ventas Realty LP / Ventas Capital Corp., 3.25%, 8/15/22 | | 468,000 | 479,201 |
| Welltower, Inc., 2.75%, 1/15/31 | | 600,000 | 598,314 |
| | | | 4,779,144 |
| Food and Staples Retailing — 0.3% | | | |
| Costco Wholesale Corp., 1.60%, 4/20/30 | | 1,200,000 | 1,215,041 |
| Kroger Co. (The), 3.875%, 10/15/46 | | 600,000 | 674,177 |
| | | | 1,889,218 |
| Food Products[†] | | | |
| Mondelez International, Inc., 2.75%, 4/13/30 | | 237,000 | 256,164 |
| Health Care Equipment and Supplies — 0.1% | | | |
| Stryker Corp., 1.95%, 6/15/30 | | 590,000 | 593,269 |
| Health Care Providers and Services — 0.4% | | | |
| Aetna, Inc., 2.75%, 11/15/22 | | 406,000 | 423,084 |
| Anthem, Inc., 2.375%, 1/15/25 | | 170,000 | 180,277 |
| Cigna Corp., 4.50%, 2/25/26 ⁽²⁾ | | 200,000 | 232,842 |

| | Principal Amount | Value |
|--|------------------|------------|
| Cigna Corp., 4.90%, 12/15/48 | \$ 300,000 | \$ 397,205 |
| CVS Health Corp., 4.78%, 3/25/38 | 260,000 | 323,381 |
| Duke University Health System, Inc., 3.92%, 6/1/47 | 467,000 | 584,718 |
| UnitedHealth Group, Inc., 1.25%, 1/15/26 | 200,000 | 203,864 |
| | | 2,345,371 |
| Insurance — 0.6% | | |
| American International Group, Inc., 4.50%, 7/16/44 | 480,000 | 560,688 |
| Five Corners Funding Trust II, 2.85%, 5/15/30 ⁽²⁾ | 685,000 | 707,234 |
| Hartford Financial Services Group, Inc. (The), 3.60%, 8/19/49 | 146,000 | 155,275 |
| Metropolitan Life Global Funding I, 0.90%, 6/8/23 ⁽²⁾ | 605,000 | 608,884 |
| New York Life Global Funding, 2.90%, 1/17/24 ⁽²⁾ | 1,115,000 | 1,197,299 |
| Prudential Financial, Inc., MTN, VRN, 2.12%, (CPI YoY plus 2.00%), 11/2/20 | 189,000 | 189,428 |
| Teachers Insurance & Annuity Association of America, 3.30%, 5/15/50 ⁽²⁾ | 306,000 | 316,127 |
| | | 3,734,935 |
| IT Services — 0.3% | | |
| Fiserv, Inc., 2.25%, 6/1/27 | 400,000 | 418,859 |
| International Business Machines Corp., 1.70%, 5/15/27 | 500,000 | 511,526 |
| International Business Machines Corp., 1.95%, 5/15/30 | 300,000 | 307,448 |
| PayPal Holdings, Inc., 2.30%, 6/1/30 | 400,000 | 416,580 |
| | | 1,654,413 |
| Life Sciences Tools and Services — 0.1% | | |
| Agilent Technologies, Inc., 2.10%, 6/4/30 | 300,000 | 308,263 |
| Media — 0.6% | | |
| Charter Communications Operating LLC / Charter Communications Operating Capital, 6.48%, 10/23/45 | 960,000 | 1,279,953 |
| Comcast Corp., 1.95%, 1/15/31 | 380,000 | 387,919 |
| Comcast Corp., 6.50%, 11/15/35 | 556,000 | 846,353 |
| Comcast Corp., 3.75%, 4/1/40 | 200,000 | 236,088 |
| Comcast Corp., 2.80%, 1/15/51 | 275,000 | 282,489 |
| Discovery Communications LLC, 3.625%, 5/15/30 | 200,000 | 219,190 |
| ViacomCBS, Inc., 3.70%, 6/1/28 | 250,000 | 272,204 |
| ViacomCBS, Inc., 4.20%, 5/19/32 | 330,000 | 366,963 |
| | | 3,891,159 |
| Multi-Utilities — 0.2% | | |
| Dominion Energy, Inc., 4.90%, 8/1/41 | 550,000 | 687,391 |
| Sempra Energy, 3.25%, 6/15/27 | 350,000 | 385,640 |
| | | 1,073,031 |
| Oil, Gas and Consumable Fuels — 1.3% | | |
| Chevron Corp., 2.00%, 5/11/27 | 390,000 | 408,735 |
| Enbridge, Inc., 3.50%, 6/10/24 | 190,000 | 206,378 |
| Enbridge, Inc., 3.70%, 7/15/27 | 400,000 | 441,948 |
| Energy Transfer Operating LP, 3.60%, 2/1/23 | 312,000 | 322,881 |
| Energy Transfer Operating LP, 5.30%, 4/15/47 | 770,000 | 745,729 |
| Enterprise Products Operating LLC, 4.85%, 3/15/44 | 250,000 | 290,073 |
| Equinor ASA, 1.75%, 1/22/26 | 390,000 | 399,787 |
| Magellan Midstream Partners LP, 5.15%, 10/15/43 | 350,000 | 388,048 |
| MPLX LP, 4.50%, 4/15/38 | 300,000 | 300,262 |
| MPLX LP, 5.20%, 3/1/47 | 400,000 | 430,652 |
| Petroleos Mexicanos, 3.50%, 1/30/23 | 331,000 | 315,988 |
| Petroleos Mexicanos, 4.875%, 1/18/24 | 700,000 | 674,551 |

| | Principal Amount | Value |
|---|------------------|-------------------|
| Phillips 66, 2.15%, 12/15/30 | \$ 590,000 | \$ 572,306 |
| Sabine Pass Liquefaction LLC, 5.625%, 3/1/25 | 950,000 | 1,086,428 |
| Transcontinental Gas Pipe Line Co. LLC, 3.25%, 5/15/30 ⁽²⁾ | 400,000 | 428,051 |
| Williams Cos., Inc. (The), 4.30%, 3/4/24 | 600,000 | 652,593 |
| | | 7,664,410 |
| Pharmaceuticals — 0.2% | | |
| Bristol-Myers Squibb Co., 3.625%, 5/15/24 ⁽²⁾ | 150,000 | 165,276 |
| Pfizer, Inc., 1.70%, 5/28/30 | 340,000 | 346,396 |
| Upjohn, Inc., 2.70%, 6/22/30 ⁽²⁾ | 526,000 | 541,573 |
| Upjohn, Inc., 4.00%, 6/22/50 ⁽²⁾ | 215,000 | 231,140 |
| | | 1,284,385 |
| Road and Rail — 0.3% | | |
| Burlington Northern Santa Fe LLC, 3.75%, 4/1/24 | 300,000 | 332,163 |
| Burlington Northern Santa Fe LLC, 3.00%, 4/1/25 | 320,000 | 352,287 |
| Burlington Northern Santa Fe LLC, 4.95%, 9/15/41 | 250,000 | 329,265 |
| Norfolk Southern Corp., 3.05%, 5/15/50 | 600,000 | 620,498 |
| Union Pacific Corp., 2.75%, 4/15/23 | 150,000 | 157,970 |
| | | 1,792,183 |
| Semiconductors and Semiconductor Equipment — 0.2% | | |
| Broadcom Corp. / Broadcom Cayman Finance Ltd., 3.125%, 1/15/25 | 206,000 | 220,184 |
| NXP BV / NXP Funding, LLC / NXP USA, Inc., 2.70%, 5/1/25 ⁽²⁾ | 110,000 | 115,730 |
| NXP BV / NXP Funding, LLC / NXP USA, Inc., 3.15%, 5/1/27 ⁽²⁾ | 388,000 | 412,505 |
| QUALCOMM, Inc., 2.15%, 5/20/30 | 400,000 | 417,421 |
| | | 1,165,840 |
| Software — 0.3% | | |
| Adobe, Inc., 2.30%, 2/1/30 | 930,000 | 1,005,419 |
| Infor, Inc., 1.45%, 7/15/23 ⁽²⁾ | 130,000 | 131,171 |
| Infor, Inc., 1.75%, 7/15/25 ⁽²⁾ | 165,000 | 165,885 |
| Oracle Corp., 2.50%, 10/15/22 | 200,000 | 209,108 |
| Oracle Corp., 2.65%, 7/15/26 | 350,000 | 378,008 |
| | | 1,889,591 |
| Technology Hardware, Storage and Peripherals — 0.1% | | |
| Apple, Inc., 1.125%, 5/11/25 | 180,000 | 183,430 |
| NetApp, Inc., 1.875%, 6/22/25 | 160,000 | 162,269 |
| | | 345,699 |
| Water Utilities — 0.1% | | |
| Essential Utilities, Inc., 2.70%, 4/15/30 | 560,000 | 586,595 |
| Wireless Telecommunication Services — 0.8% | | |
| T-Mobile USA, Inc., 3.50%, 4/15/25 ⁽²⁾ | 2,850,000 | 3,111,901 |
| T-Mobile USA, Inc., 3.875%, 4/15/30 ⁽²⁾ | 748,000 | 835,101 |
| T-Mobile USA, Inc., 2.55%, 2/15/31 ⁽²⁾ | 625,000 | 628,762 |
| | | 4,575,764 |
| TOTAL CORPORATE BONDS (Cost \$77,122,966) | | 82,067,851 |
| COLLATERALIZED MORTGAGE OBLIGATIONS — 10.9% | | |
| Private Sponsor Collateralized Mortgage Obligations — 7.6% | | |
| ABN Amro Mortgage Corp., Series 2003-4, Class A4, 5.50%, 3/25/33 | 64,873 | 67,917 |
| ABN Amro Mortgage Corp., Series 2003-6, Class 1A4, 5.50%, 5/25/33 | 87,781 | 90,417 |
| Agate Bay Mortgage Loan Trust, Series 2014-3, Class A2, VRN, 3.50%, 11/25/44 ⁽²⁾ | 951,117 | 984,564 |

| | Principal Amount | Value |
|---|------------------|------------|
| Agate Bay Mortgage Loan Trust, Series 2015-7, Class A3, VRN, 3.50%, 10/25/45 ⁽²⁾ | \$ 922,915 | \$ 955,894 |
| Agate Bay Mortgage Loan Trust, Series 2016-1, Class A3, VRN, 3.50%, 12/25/45 ⁽²⁾ | 1,350,325 | 1,367,433 |
| Agate Bay Mortgage Loan Trust, Series 2016-3, Class A3, VRN, 3.50%, 8/25/46 ⁽²⁾ | 971,235 | 1,002,495 |
| Angel Oak Mortgage Trust, Series 2019-5, Class A3, VRN, 2.92%, 10/25/49 ⁽²⁾ | 2,057,231 | 2,064,433 |
| Angel Oak Mortgage Trust I LLC, Series 2019-4, Class A3 SEQ, VRN, 3.30%, 7/26/49 ⁽²⁾ | 928,448 | 935,314 |
| Arroyo Mortgage Trust, Series 2020-1, Class A1B SEQ, 2.10%, 3/25/55 ⁽²⁾ | 1,200,000 | 1,199,985 |
| Bunker Hill Loan Depositary Trust, Series 2020-1, Class A1, VRN, 1.72%, 2/25/55 ⁽²⁾ | 3,200,000 | 3,199,950 |
| Cendant Mort Capital LLC, Series 2003-6, Class A3, 5.25%, 7/25/33 | 228,184 | 229,538 |
| Citigroup Mortgage Loan Trust, Series 2019-IMC1, Class A1, VRN, 2.72%, 7/25/49 ⁽²⁾ | 1,201,344 | 1,220,617 |
| Countrywide Home Loan Mortgage Pass-Through Trust, Series 2004-5, Class 2A4, 5.50%, 5/25/34 | 103,043 | 105,256 |
| Credit Suisse Mortgage Trust, Series 2015-WIN1, Class A10, VRN, 3.50%, 12/25/44 ⁽²⁾ | 1,356,407 | 1,403,858 |
| Credit Suisse Mortgage Trust, Series 2019-AFC1, Class A1, VRN, 2.57%, 7/25/49 ⁽²⁾ | 1,397,738 | 1,431,866 |
| Credit Suisse Mortgage Trust, Series 2019-NQM1, Class A1, 2.66%, 10/25/59 ⁽²⁾ | 2,579,336 | 2,637,427 |
| Galton Funding Mortgage Trust, Series 2020-H1, Class A1, VRN, 2.31%, 1/25/60 ⁽²⁾ | 969,210 | 975,159 |
| JPMorgan Mortgage Trust, Series 2013-1, Class 2A2 SEQ, VRN, 2.50%, 3/25/43 ⁽²⁾ | 774,668 | 794,723 |
| JPMorgan Mortgage Trust, Series 2014-5, Class A1, VRN, 2.96%, 10/25/29 ⁽²⁾ | 1,229,083 | 1,282,869 |
| JPMorgan Mortgage Trust, Series 2016-1, Class A7 SEQ, VRN, 3.50%, 5/25/46 ⁽²⁾ | 3,500,000 | 3,623,913 |
| JPMorgan Mortgage Trust, Series 2017-1, Class A2, VRN, 3.50%, 1/25/47 ⁽²⁾ | 2,562,576 | 2,637,927 |
| New Residential Mortgage Loan Trust, Series 2017-2A, Class A3, VRN, 4.00%, 3/25/57 ⁽²⁾ | 1,205,581 | 1,304,890 |
| New Residential Mortgage Loan Trust, Series 2017-5A, Class A1, VRN, 1.68%, (1-month LIBOR plus 1.50%), 6/25/57 ⁽²⁾ | 1,486,140 | 1,491,983 |
| Sequoia Mortgage Trust, Series 2014-3, Class A14, SEQ, VRN, 3.00%, 10/25/44 ⁽²⁾ | 180,075 | 180,959 |
| Sequoia Mortgage Trust, Series 2014-4, Class A2 SEQ, VRN, 3.50%, 11/25/44 ⁽²⁾ | 197,817 | 198,700 |
| Sequoia Mortgage Trust, Series 2017-7, Class A7 SEQ, VRN, 3.50%, 10/25/47 ⁽²⁾ | 1,750,000 | 1,817,933 |
| Sequoia Mortgage Trust, Series 2017-CH1, Class A1, VRN, 4.00%, 8/25/47 ⁽²⁾ | 1,032,743 | 1,056,488 |
| Sequoia Mortgage Trust, Series 2019-4, Class A7 SEQ, VRN, 3.50%, 11/25/49 ⁽²⁾ | 6,250,000 | 6,550,219 |
| Thornburg Mortgage Securities Trust, Series 2004-3, Class A, VRN, 0.92%, (1-month LIBOR plus 0.74%), 9/25/34 | 93,634 | 87,769 |
| Verus Securitization Trust, Series 2019-4, Class A3, 3.00%, 11/25/59 ⁽²⁾ | 1,760,195 | 1,797,640 |
| Verus Securitization Trust, Series 2020-1, Class A3 SEQ, VRN, 2.72%, 1/25/60 ⁽²⁾ | 1,187,251 | 1,182,262 |
| Vista Point Securitization Trust, Series 2020-1, Class A2 SEQ, VRN, 2.77%, 3/25/65 ⁽²⁾ | 1,900,000 | 1,899,924 |
| WaMu Mortgage Pass-Through Certificates, Series 2003-S11, Class 3A5, 5.95%, 11/25/33 | 126,973 | 130,568 |
| | | 45,910,890 |

| | | Principal Amount | Value |
|--|-----|------------------|-------------------|
| U.S. Government Agency Collateralized Mortgage Obligations — 3.3% | | | |
| FHLMC, Series 2014-DN1, Class M2, VRN, 2.38%, (1-month LIBOR plus 2.20%), 2/25/24 | \$ | 1,161,097 | \$ 1,165,071 |
| FHLMC, Series 2015-DNA1, Class M3, VRN, 3.48%, (1-month LIBOR plus 3.30%), 10/25/27 | | 4,750,000 | 4,863,041 |
| FHLMC, Series K088, Class A2 SEQ, 3.69%, 1/25/29 | | 5,000,000 | 6,003,211 |
| FHLMC, Series K108, Class A2 SEQ, 1.52%, 3/25/30 | | 6,000,000 | 6,276,688 |
| FNMA, Series 2014-C02, Class 2M2, VRN, 2.78%, (1-month LIBOR plus 2.60%), 5/25/24 | | 1,644,134 | 1,464,534 |
| FNMA, Series 2014-C04, Class 2M2, VRN, 5.18%, (1-month LIBOR plus 5.00%), 11/25/24 | | 557,387 | 576,919 |
| | | | 20,349,464 |
| TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS | | | |
| (Cost \$64,678,094) | | | 66,260,354 |
| SOVEREIGN GOVERNMENTS AND AGENCIES — 5.7% | | | |
| Australia — 0.3% | | | |
| Australia Government Bond, 4.00%, 8/20/20 | AUD | 1,517,000 | 1,857,435 |
| Canada — 5.4% | | | |
| Canadian Government Real Return Bond, 4.25%, 12/1/21 | CAD | 1,918,551 | 1,495,455 |
| Canadian Government Real Return Bond, 4.25%, 12/1/26 | CAD | 23,300,446 | 22,310,315 |
| Canadian Government Real Return Bond, 4.00%, 12/1/31 | CAD | 2,674,206 | 2,961,462 |
| Canadian Government Real Return Bond, 3.00%, 12/1/36 | CAD | 5,602,393 | 6,214,257 |
| | | | 32,981,489 |
| TOTAL SOVEREIGN GOVERNMENTS AND AGENCIES | | | |
| (Cost \$35,652,277) | | | 34,838,924 |
| ASSET-BACKED SECURITIES — 5.7% | | | |
| BRE Grand Islander Timeshare Issuer LLC, Series 2017-1A, Class A SEQ, 2.94%, 5/25/29 ⁽²⁾ | \$ | 510,708 | 506,702 |
| Hilton Grand Vacations Trust, Series 2014-AA, Class A SEQ, 1.77%, 11/25/26 ⁽²⁾ | | 208,833 | 208,220 |
| Hilton Grand Vacations Trust, Series 2017-AA, Class A SEQ, 2.66%, 12/26/28 ⁽²⁾ | | 1,801,124 | 1,779,869 |
| Hilton Grand Vacations Trust, Series 2019-AA, Class B, 2.54%, 7/25/33 ⁽²⁾ | | 2,644,183 | 2,529,825 |
| MVW LLC, Series 2019-2A, Class A SEQ, 2.22%, 10/20/38 ⁽²⁾ | | 2,128,083 | 2,131,869 |
| MVW Owner Trust, Series 2016-1A, Class A SEQ, 2.25%, 12/20/33 ⁽²⁾ | | 334,320 | 329,625 |
| Progress Residential Trust, Series 2019-SFR1, Class A SEQ, 3.42%, 8/17/35 ⁽²⁾ | | 2,997,040 | 3,110,852 |
| Progress Residential Trust, Series 2019-SFR3, Class A SEQ, 2.27%, 9/17/36 ⁽²⁾ | | 6,300,000 | 6,443,983 |
| Progress Residential Trust, Series 2019-SFR4, Class B, 2.94%, 10/17/36 ⁽²⁾ | | 3,900,000 | 3,990,279 |
| Progress Residential Trust, Series 2020-SFR2, Class A SEQ, 2.08%, 6/18/37 ⁽²⁾ | | 1,600,000 | 1,650,261 |
| Sierra Timeshare Receivables Funding LLC, Series 2016-1A, Class A SEQ, 3.08%, 3/21/33 ⁽²⁾ | | 252,638 | 252,411 |
| Sierra Timeshare Receivables Funding LLC, Series 2019-1A, Class A SEQ, 3.20%, 1/20/36 ⁽²⁾ | | 1,150,148 | 1,174,646 |
| Sierra Timeshare Receivables Funding LLC, Series 2019-3A, Class B, 2.75%, 8/20/36 ⁽²⁾ | | 4,397,347 | 4,145,611 |
| Towd Point Mortgage Trust, Series 2017-2, Class A2, VRN, 3.25%, 4/25/57 ⁽²⁾ | | 4,000,000 | 4,183,046 |
| Towd Point Mortgage Trust, Series 2018-4, Class A1, VRN, 3.00%, 6/25/58 ⁽²⁾ | | 796,478 | 846,544 |
| VSE VOI Mortgage LLC, Series 2017-A, Class A SEQ, 2.33%, 3/20/35 ⁽²⁾ | | 1,001,766 | 1,006,716 |
| TOTAL ASSET-BACKED SECURITIES | | | |
| (Cost \$34,056,909) | | | 34,290,459 |

| | Principal Amount | Value |
|--|-----------------------|--------------------|
| U.S. GOVERNMENT AGENCY MORTGAGE-BACKED SECURITIES — 5.3% | | |
| FHLMC, 4.50%, 4/1/41 | \$ 4,352,141 | \$ 4,842,861 |
| FNMA, 4.50%, 5/1/39 | 1,828,495 | 2,045,228 |
| FNMA, 4.00%, 11/1/41 | 981,864 | 1,078,770 |
| FNMA, 4.00%, 11/1/41 | 502,718 | 552,358 |
| FNMA, 4.00%, 2/1/42 | 634,344 | 696,933 |
| FNMA, 4.00%, 2/1/46 | 6,314,625 | 6,802,586 |
| FNMA, 2.50%, 4/1/50 | 5,700,000 | 5,948,469 |
| FNMA, 2.50%, 6/1/50 | 9,600,000 | 10,010,936 |
| TOTAL U.S. GOVERNMENT AGENCY MORTGAGE-BACKED SECURITIES | | |
| (Cost \$31,423,681) | | 31,978,141 |
| COLLATERALIZED LOAN OBLIGATIONS — 2.7% | | |
| Bean Creek CLO Ltd., Series 2015-1A, Class AR, VRN, 2.16%, (3-month LIBOR plus 1.02%), 4/20/31 ⁽²⁾ | 2,250,000 | 2,189,059 |
| CIFC Funding Ltd., Series 2013-3RA, Class A1, VRN, 2.00%, (3-month LIBOR plus 0.98%), 4/24/31 ⁽²⁾ | 1,575,000 | 1,534,070 |
| Goldentree Loan Opportunities X Ltd., Series 2015-10A, Class AR, VRN, 2.26%, (3-month LIBOR plus 1.12%), 7/20/31 ⁽²⁾ | 1,750,000 | 1,721,337 |
| KKR CLO Ltd., Series 2022A, Class A, VRN, 2.29%, (3-month LIBOR plus 1.15%), 7/20/31 ⁽²⁾ | 2,450,000 | 2,404,197 |
| Magnetite VIII Ltd., Series 2014-8A, Class AR2, VRN, 2.20%, (3-month LIBOR plus 0.98%), 4/15/31 ⁽²⁾ | 3,000,000 | 2,940,732 |
| Sounds Point CLO IV-R Ltd., Series 2013-3RA, Class A, VRN, 2.29%, (3-month LIBOR plus 1.15%), 4/18/31 ⁽²⁾ | 2,300,000 | 2,228,464 |
| Treman Park CLO Ltd., Series 2015-1A, Class ARR, VRN, 2.21%, (3-month LIBOR plus 1.07%), 10/20/28 ⁽²⁾ | 3,150,000 | 3,111,431 |
| TOTAL COLLATERALIZED LOAN OBLIGATIONS | | |
| (Cost \$16,424,908) | | 16,129,290 |
| U.S. GOVERNMENT AGENCY SECURITIES — 1.3% | | |
| FNMA, 6.625%, 11/15/30 | 3,037,000 | 4,700,917 |
| Tennessee Valley Authority, Series B, 4.70%, 7/15/33 | 2,400,000 | 3,328,183 |
| TOTAL U.S. GOVERNMENT AGENCY SECURITIES | | |
| (Cost \$8,018,988) | | 8,029,100 |
| MUNICIPAL SECURITIES — 0.3% | | |
| Energy Northwest Rev., (Bonneville Power Administration), 5.00%, 7/1/39 | 460,000 | 607,044 |
| Ohio Water Development Authority Water Pollution Control Loan Fund Rev., 5.00%, 6/1/30 | 95,000 | 131,344 |
| Ohio Water Development Authority Water Pollution Control Loan Fund Rev., 5.00%, 12/1/30 | 80,000 | 110,234 |
| Ohio Water Development Authority Water Pollution Control Loan Fund Rev., 5.00%, 12/1/31 | 340,000 | 466,235 |
| University of Texas System (The) Rev., 5.00%, 8/15/40 | 360,000 | 554,775 |
| TOTAL MUNICIPAL SECURITIES | | |
| (Cost \$1,786,627) | | 1,869,632 |
| TEMPORARY CASH INVESTMENTS — 3.3% | | |
| Credit Agricole Corporate and Investment Bank, 0.08%, 7/1/20 ⁽²⁾⁽³⁾ (Cost \$19,567,000) | 19,567,000 | 19,566,953 |
| TOTAL INVESTMENT SECURITIES — 100.6% | | |
| (Cost \$563,967,980) | | 608,656,214 |
| OTHER ASSETS AND LIABILITIES — (0.6)% | | (3,399,712) |
| TOTAL NET ASSETS — 100.0% | \$ 605,256,502 | |

FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS

| Currency Purchased | | Currency Sold | | Counterparty | Settlement Date | Unrealized Appreciation (Depreciation) |
|--------------------|------------|---------------|------------|----------------|-----------------|--|
| USD | 1,937,900 | AUD | 2,765,836 | UBS AG | 9/23/20 | \$ 28,687 |
| USD | 33,217,293 | CAD | 44,501,041 | Morgan Stanley | 9/23/20 | 432,732 |
| | | | | | | <u>\$ 461,419</u> |

CENTRALLY CLEARED TOTAL RETURN SWAP AGREEMENTS

| Floating Rate Index | Pay/Receive Floating Rate Index at Termination | | | | | Premiums Paid (Received) | Unrealized Appreciation (Depreciation) | Value |
|---------------------|--|------------|------------------|-----------------|------------|--------------------------|--|-------|
| | | Fixed Rate | Termination Date | Notional Amount | | | | |
| CPURNSA | Receive | 1.78% | 6/6/24 | \$19,000,000 | \$ (514) | \$ (574,139) | \$ (574,653) | |
| CPURNSA | Receive | 1.71% | 6/20/24 | \$12,600,000 | (477) | (352,413) | (352,890) | |
| CPURNSA | Receive | 1.86% | 7/30/24 | \$12,500,000 | (490) | (459,630) | (460,120) | |
| CPURNSA | Receive | 1.86% | 8/1/24 | \$13,600,000 | (498) | (498,449) | (498,947) | |
| CPURNSA | Receive | 1.62% | 10/17/24 | \$12,500,000 | (516) | (291,110) | (291,626) | |
| CPURNSA | Receive | 1.08% | 6/4/25 | \$ 4,000,000 | 517 | 35,041 | 35,558 | |
| CPURNSA | Receive | 2.15% | 11/20/27 | \$ 5,000,000 | (554) | (363,202) | (363,756) | |
| CPURNSA | Receive | 2.31% | 3/28/28 | \$11,500,000 | (483) | (1,120,215) | (1,120,698) | |
| CPURNSA | Receive | 1.79% | 10/16/29 | \$ 6,100,000 | (534) | (222,145) | (222,679) | |
| CPURNSA | Receive | 1.80% | 10/21/29 | \$ 6,100,000 | (527) | (225,258) | (225,785) | |
| CPURNSA | Receive | 1.88% | 11/21/29 | \$ 1,000,000 | (485) | (45,212) | (45,697) | |
| CPURNSA | Receive | 1.87% | 11/25/29 | \$ 5,000,000 | (521) | (221,820) | (222,341) | |
| CPURNSA | Receive | 1.29% | 5/19/30 | \$ 3,000,000 | 526 | 63,551 | 64,077 | |
| CPURNSA | Receive | 1.50% | 6/8/30 | \$ 4,000,000 | 540 | 17,288 | 17,828 | |
| CPURNSA | Receive | 1.63% | 6/25/30 | \$ 8,000,000 | 585 | (31,515) | (30,930) | |
| | | | | | \$ (3,431) | \$ (4,289,228) | \$ (4,292,659) | |

TOTAL RETURN SWAP AGREEMENTS

| Counterparty | Floating Rate Index | Pay/Receive | | Fixed Rate | Termination Date | Notional Amount | Value* |
|----------------------|---------------------|------------------------------------|----------------------|------------|------------------|-----------------|-----------------|
| | | Floating Rate Index at Termination | Index at Termination | | | | |
| Bank of America N.A. | CPURNSA | Receive | 2.67% | 4/1/22 | \$ 5,000,000 | \$ (846,069) | |
| Bank of America N.A. | CPURNSA | Receive | 2.53% | 8/19/24 | \$ 4,000,000 | \$ (572,030) | |
| Bank of America N.A. | CPURNSA | Receive | 1.79% | 8/27/25 | \$ 3,000,000 | \$ (109,657) | |
| Bank of America N.A. | CPURNSA | Receive | 2.24% | 4/11/27 | \$ 7,000,000 | \$ (608,015) | |
| Bank of America N.A. | CPURNSA | Receive | 2.22% | 4/13/27 | \$ 1,750,000 | \$ (147,471) | |
| Bank of America N.A. | CPURNSA | Receive | 2.24% | 4/28/27 | \$ 4,000,000 | \$ (345,092) | |
| Barclays Bank plc | CPURNSA | Receive | 2.59% | 7/23/24 | \$ 2,300,000 | \$ (344,645) | |
| Barclays Bank plc | CPURNSA | Receive | 2.39% | 9/19/24 | \$ 6,000,000 | \$ (749,770) | |
| Barclays Bank plc | CPURNSA | Receive | 2.36% | 9/29/24 | \$ 6,500,000 | \$ (792,682) | |
| Barclays Bank plc | CPURNSA | Receive | 2.31% | 9/30/24 | \$ 3,600,000 | \$ (415,239) | |
| Barclays Bank plc | CPURNSA | Receive | 2.90% | 12/21/27 | \$ 15,100,000 | \$ (5,887,731) | |
| Barclays Bank plc | CPURNSA | Receive | 2.78% | 7/2/44 | \$ 3,600,000 | \$ (2,004,032) | |
| Goldman Sachs & Co. | CPURNSA | Receive | 1.87% | 5/23/26 | \$ 1,500,000 | \$ (47,443) | |
| Goldman Sachs & Co. | CPURNSA | Receive | 1.92% | 5/31/26 | \$ 13,000,000 | \$ (494,015) | |
| Goldman Sachs & Co. | CPURNSA | Receive | 1.77% | 6/16/26 | \$ 12,500,000 | \$ (265,674) | |
| Goldman Sachs & Co. | CPURNSA | Receive | 2.25% | 11/15/26 | \$ 2,500,000 | \$ (201,858) | |
| Goldman Sachs & Co. | CPURNSA | Receive | 2.28% | 11/16/26 | \$ 2,500,000 | \$ (212,662) | |
| | | | | | | | \$ (14,044,085) |

*Amount represents value and unrealized appreciation (depreciation).

NOTES TO SCHEDULE OF INVESTMENTS

| | |
|---------|---|
| AUD | - Australian Dollar |
| CAD | - Canadian Dollar |
| CPI YoY | - U.S. Consumer Price Index Urban Consumers Year over Year Not Seasonally Adjusted Index |
| CPURNSA | - U.S. Consumer Price Index Urban Consumers Not Seasonally Adjusted Index |
| FHLMC | - Federal Home Loan Mortgage Corporation |
| FNMA | - Federal National Mortgage Association |
| LIBOR | - London Interbank Offered Rate |
| MTN | - Medium Term Note |
| SEQ | - Sequential Payer |
| USD | - United States Dollar |
| VRN | - Variable Rate Note. The rate adjusts periodically based upon the terms set forth in the security's offering documents. The rate shown is effective at the period end and the reference rate and spread, if any, is indicated. The security's effective maturity date may be shorter than the final maturity date shown. |

† Category is less than 0.05% of total net assets.

- (1) Security, or a portion thereof, has been pledged at the custodian bank or with a broker for collateral requirements on forward foreign currency exchange contracts and/or swap agreements. At the period end, the aggregate value of securities pledged was \$23,567,681.
- (2) Security was purchased pursuant to Rule 144A or Section 4(2) under the Securities Act of 1933 and may be sold in transactions exempt from registration, normally to qualified institutional investors. The aggregate value of these securities at the period end was \$128,833,778, which represented 21.3% of total net assets.
- (3) The rate indicated is the yield to maturity at purchase.

See Notes to Financial Statements.

Statement of Assets and Liabilities

JUNE 30, 2020 (UNAUDITED)

Assets

| | |
|--|----------------|
| Investment securities, at value (cost of \$563,967,980) | \$ 608,656,214 |
| Cash | 39,110 |
| Receivable for investments sold | 1,957,235 |
| Receivable for capital shares sold | 13,574,535 |
| Receivable for variation margin on swap agreements | 135,089 |
| Unrealized appreciation on forward foreign currency exchange contracts | 461,419 |
| Interest receivable | 2,021,147 |
| | <hr/> |
| | 626,844,749 |

Liabilities

| | |
|-------------------------------------|------------|
| Payable for investments purchased | 7,034,254 |
| Payable for capital shares redeemed | 190,249 |
| Swap agreements, at value | 14,044,085 |
| Accrued management fees | 221,626 |
| Distribution fees payable | 98,033 |
| | <hr/> |
| | 21,588,247 |

| | |
|-------------------|-----------------------|
| Net Assets | \$ 605,256,502 |
|-------------------|-----------------------|

Net Assets Consist of:

| | |
|---|----------------|
| Capital (par value and paid-in surplus) | \$ 593,672,304 |
| Distributable earnings | 11,584,198 |
| | <hr/> |
| | \$ 605,256,502 |

| | Net Assets | Shares Outstanding | Net Asset Value Per Share |
|----------------------------|-------------------|---------------------------|----------------------------------|
| Class I, \$0.01 Par Value | \$107,756,329 | 10,185,339 | \$10.58 |
| Class II, \$0.01 Par Value | \$497,500,173 | 47,117,642 | \$10.56 |

See Notes to Financial Statements.

Statement of Operations

FOR THE SIX MONTHS ENDED JUNE 30, 2020 (UNAUDITED)

Investment Income (Loss)

Income:

| | |
|----------|--------------|
| Interest | \$ 3,686,588 |
|----------|--------------|

Expenses:

| | |
|------------------------------|------------------|
| Management fees | 1,358,096 |
| Distribution fees - Class II | 612,045 |
| Directors' fees and expenses | 22,697 |
| Other expenses | 14,185 |
| | <u>2,007,023</u> |

| | |
|------------------------------|------------------|
| Net investment income (loss) | <u>1,679,565</u> |
|------------------------------|------------------|

Realized and Unrealized Gain (Loss)

Net realized gain (loss) on:

| | |
|---|------------------|
| Investment transactions | 6,719,156 |
| Forward foreign currency exchange contract transactions | (589,626) |
| Futures contract transactions | 896,529 |
| Swap agreement transactions | (2,992,744) |
| Foreign currency translation transactions | 47,857 |
| | <u>4,081,172</u> |

Change in net unrealized appreciation (depreciation) on:

| | |
|---|-------------------|
| Investments | 22,808,913 |
| Forward foreign currency exchange contracts | 557,247 |
| Futures contracts | 39,345 |
| Swap agreements | (10,531,102) |
| Translation of assets and liabilities in foreign currencies | (300) |
| | <u>12,874,103</u> |

| | |
|---|-------------------|
| Net realized and unrealized gain (loss) | <u>16,955,275</u> |
|---|-------------------|

| | |
|---|----------------------|
| Net Increase (Decrease) in Net Assets Resulting from Operations | <u>\$ 18,634,840</u> |
|---|----------------------|

See Notes to Financial Statements.

Statement of Changes in Net Assets

SIX MONTHS ENDED JUNE 30, 2020 (UNAUDITED) AND YEAR ENDED DECEMBER 31, 2019

| Increase (Decrease) in Net Assets | June 30, 2020 | December 31, 2019 |
|---|-------------------|-------------------|
| Operations | | |
| Net investment income (loss) | \$ 1,679,565 | \$ 13,918,032 |
| Net realized gain (loss) | 4,081,172 | (3,037,200) |
| Change in net unrealized appreciation (depreciation) | 12,874,103 | 42,056,141 |
| Net increase (decrease) in net assets resulting from operations | <u>18,634,840</u> | <u>52,936,973</u> |

Distributions to Shareholders

From earnings:

| | | |
|---|--------------------|---------------------|
| Class I | (638,524) | (2,380,140) |
| Class II | <u>(2,429,651)</u> | <u>(12,062,634)</u> |
| Decrease in net assets from distributions | <u>(3,068,175)</u> | <u>(14,442,774)</u> |

Capital Share Transactions

| | | |
|--|--------------|--------------|
| Net increase (decrease) in net assets from capital share transactions (Note 5) | (19,447,698) | (41,628,475) |
|--|--------------|--------------|

| | | |
|--|--------------------|--------------------|
| Net increase (decrease) in net assets | (3,881,033) | (3,134,276) |
|--|--------------------|--------------------|

Net Assets

| | | |
|---------------------|-----------------------|-----------------------|
| Beginning of period | 609,137,535 | 612,271,811 |
| End of period | <u>\$ 605,256,502</u> | <u>\$ 609,137,535</u> |

See Notes to Financial Statements.

Notes to Financial Statements

JUNE 30, 2020 (UNAUDITED)

1. Organization

American Century Variable Portfolios II, Inc. (the corporation) is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as an open-end management investment company and is organized as a Maryland corporation. VP Inflation Protection Fund (the fund) is the sole fund issued by the corporation. The fund's investment objective is to pursue long-term total return using a strategy that seeks to protect against U.S. inflation. The fund offers Class I and Class II.

2. Significant Accounting Policies

The following is a summary of significant accounting policies consistently followed by the fund in preparation of its financial statements. The fund is an investment company and follows accounting and reporting guidance in accordance with accounting principles generally accepted in the United States of America. This may require management to make certain estimates and assumptions at the date of the financial statements. Actual results could differ from these estimates. Management evaluated the impact of events or transactions occurring through the date the financial statements were issued that would merit recognition or disclosure.

Investment Valuations — The fund determines the fair value of its investments and computes its net asset value per share at the close of regular trading (usually 4 p.m. Eastern time) on the New York Stock Exchange (NYSE) on each day the NYSE is open. The Board of Directors has adopted valuation policies and procedures to guide the investment advisor in the fund's investment valuation process and to provide methodologies for the oversight of the fund's pricing function.

Fixed income securities are valued at the evaluated mean as provided by independent pricing services or at the mean of the most recent bid and asked prices as provided by investment dealers. Corporate bonds, U.S. Treasury and Government Agency securities, convertible bonds, municipal securities, and sovereign governments and agencies are valued using market models that consider trade data, quotations from dealers and active market makers, relevant yield curve and spread data, creditworthiness, trade data or market information on comparable securities, and other relevant security specific information. Mortgage-related and asset-backed securities are valued based on models that consider trade data, prepayment and default projections, benchmark yield and spread data and estimated cash flows of each tranche of the issuer. Collateralized loan obligations are valued based on discounted cash flow models that consider trade and economic data, prepayment assumptions and default projections. Commercial paper is valued using a curve-based approach that considers money market rates for specific instruments, programs, currencies and maturity points from a variety of active market makers. Fixed income securities initially expressed in local currencies are translated into U.S. dollars at the mean of the appropriate currency exchange rate at the close of the NYSE as provided by an independent pricing service.

Open-end management investment companies are valued at the reported net asset value per share. Exchange-traded futures contracts are valued at the settlement price as provided by the appropriate exchange. Swap agreements are valued at an evaluated mean as provided by independent pricing services or independent brokers. Forward foreign currency exchange contracts are valued at the mean of the appropriate forward exchange rate at the close of the NYSE as provided by an independent pricing service.

If the fund determines that the market price for an investment is not readily available or the valuation methods mentioned above do not reflect an investment's fair value, such investment is valued as determined in good faith by the Board of Directors or its delegate, in accordance with policies and procedures adopted by the Board of Directors. In its determination of fair value, the fund may review several factors including, but not limited to, market information regarding the specific investment or comparable investments and correlation with other investment types, futures indices or general market indicators. Circumstances that may cause the fund to use these procedures to value an investment include, but are not limited to: an investment has been declared in default or is distressed; trading in a security has been suspended during the trading day or a security is not actively trading on its principal exchange; prices received from a regular pricing source are deemed unreliable; or there is a foreign market holiday and no trading occurred.

The fund monitors for significant events occurring after the close of an investment's primary exchange but before the fund's net asset value per share is determined. Significant events may include, but are not limited to: corporate announcements and transactions; governmental action and political unrest that could impact a specific investment or an investment sector; or armed conflicts, natural disasters and similar events that could affect investments in a specific country or region.

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

Investment Income — Interest income is recorded on the accrual basis and includes paydown gain (loss) and accretion of discounts and amortization of premiums. Inflation adjustments related to inflation-linked debt securities are reflected as interest income.

Segregated Assets — In accordance with the 1940 Act, the fund segregates assets on its books and records to cover certain types of investment securities and other financial instruments. American Century Investment Management, Inc. (ACIM) (the investment advisor) monitors, on a daily basis, the securities segregated to ensure the fund designates a sufficient amount of liquid assets, marked-to-market daily. The fund may also receive assets or be required to pledge assets at the custodian bank or with a broker for collateral requirements.

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

Income Tax Status — It is the fund's policy to distribute substantially all net investment income and net realized gains to shareholders and to otherwise qualify as a regulated investment company under provisions of the Internal Revenue Code. Accordingly, no provision has been made for income taxes. The fund files U.S. federal, state, local and non-U.S. tax returns as applicable. The fund's tax returns are subject to examination by the relevant taxing authority until expiration of the applicable statute of limitations, which is generally three years from the date of filing but can be longer in certain jurisdictions. At this time, management believes there are no uncertain tax positions which, based on their technical merit, would not be sustained upon examination and for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

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

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

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

3. Fees and Transactions with Related Parties

Certain officers and directors of the corporation are also officers and/or directors of American Century Companies, Inc. (ACC). The corporation's investment advisor, ACIM, the corporation's distributor, American Century Investment Services, Inc. (ACIS), and the corporation's transfer agent, American Century Services, LLC, are wholly owned, directly or indirectly, by ACC.

Management Fees — The corporation has entered into a management agreement with ACIM, under which ACIM provides the fund with investment advisory and management services in exchange for a single, unified management fee (the fee) per class. The agreement provides that ACIM will pay all expenses of managing and operating the fund, except brokerage expenses, taxes, interest, fees and expenses of the independent directors (including legal counsel fees), extraordinary expenses, and expenses incurred in connection with the provision of shareholder services and distribution services under a plan adopted pursuant to Rule 12b-1 under the 1940 Act. The fee is computed and accrued daily based on each class's daily net assets and paid monthly in arrears. The fee consists of (1) an Investment Category Fee based on the daily net assets of the fund and certain other accounts managed by the investment advisor that are in the same broad investment category as the fund and (2) a Complex Fee based on the assets of all the funds in the American Century Investments family of funds. The rates for the Investment Category Fee range from 0.1625% to 0.2800% and the rates for the Complex Fee range from 0.2500% to 0.3100%. The effective annual management fee for each class for the period ended June 30, 2020 was 0.47%.

Distribution Fees — The Board of Directors has adopted the Master Distribution Plan (the plan) for Class II, pursuant to Rule 12b-1 of the 1940 Act. The plan provides that Class II will pay ACIS an annual distribution fee equal to 0.25%. The fee is computed and accrued daily based on the Class II daily net assets and paid monthly in arrears. The distribution fee provides compensation for expenses incurred in connection with distributing shares of Class II including, but not limited to, payments to brokers, dealers, and financial institutions that have entered into sales agreements with respect to shares of the fund. Fees incurred under the plan during the period ended June 30, 2020 are detailed in the Statement of Operations.

Directors' Fees and Expenses — The Board of Directors is responsible for overseeing the investment advisor's management and operations of the fund. The directors receive detailed information about the fund and its investment advisor regularly throughout the year, and meet at least quarterly with management of the investment advisor to review reports about fund operations. The fund's officers do not receive compensation from the fund.

Interfund Transactions — The fund may enter into security transactions with other American Century Investments funds and other client accounts of the investment advisor, in accordance with the 1940 Act rules and procedures adopted by the Board of Directors. The rules and procedures require, among other things, that these transactions be effected at the independent current market price of the security. There were no interfund transactions during the period.

4. Investment Transactions

Purchases of investment securities, excluding short-term investments, for the period ended June 30, 2020 totaled \$223,820,558, of which \$112,042,803 represented U.S. Treasury and Government Agency obligations.

Sales of investment securities, excluding short-term investments, for the period ended June 30, 2020 totaled \$246,879,366, of which \$137,615,027 represented U.S. Treasury and Government Agency obligations.

5. Capital Share Transactions

Transactions in shares of the fund were as follows:

| | Six months ended June 30, 2020 | | Year ended December 31, 2019 | |
|---|-----------------------------------|-----------------|---------------------------------|-----------------|
| | Shares | Amount | Shares | Amount |
| Class I/Shares Authorized | <u>250,000,000</u> | | <u>250,000,000</u> | |
| Sold | 3,562,833 | \$ 36,719,712 | 2,340,251 | \$ 23,694,743 |
| Issued in reinvestment of distributions | 61,198 | 638,524 | 233,202 | 2,380,140 |
| Redeemed | (3,024,044) | (30,832,068) | (1,937,137) | (19,577,381) |
| | 599,987 | 6,526,168 | 636,316 | 6,497,502 |
| Class II/Shares Authorized | <u>250,000,000</u> | | <u>250,000,000</u> | |
| Sold | 6,061,156 | 62,903,221 | 5,343,596 | 53,733,385 |
| Issued in reinvestment of distributions | 232,831 | 2,429,651 | 1,184,305 | 12,062,634 |
| Redeemed | (8,951,006) | (91,306,738) | (11,313,954) | (113,921,996) |
| | (2,657,019) | (25,973,866) | (4,786,053) | (48,125,977) |
| Net increase (decrease) | (2,057,032) | \$ (19,447,698) | (4,149,737) | \$ (41,628,475) |

6. Fair Value Measurements

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

- Level 1 valuation inputs consist of unadjusted quoted prices in an active market for identical investments.
- Level 2 valuation inputs consist of direct or indirect observable market data (including quoted prices for comparable investments, evaluations of subsequent market events, interest rates, prepayment speeds, credit risk, etc.). These inputs also consist of quoted prices for identical investments initially expressed in local currencies that are adjusted through translation into U.S. dollars.
- Level 3 valuation inputs consist of unobservable data (including a fund's own assumptions).

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

As of period end, the fund's investment securities and other financial instruments were classified as Level 2. The Schedule of Investments provides additional information on the fund's portfolio holdings.

7. Derivative Instruments

Credit Risk — The fund is subject to credit risk in the normal course of pursuing its investment objectives. The value of a bond generally declines as the credit quality of its issuer declines. Credit default swap agreements enable a fund to buy/sell protection against a credit event of a specific issuer or index. A fund may attempt to enhance returns by selling protection or attempt to mitigate credit risk by buying protection. The buyer/seller of credit protection against a security or basket of securities may pay/receive an up-front or periodic payment to compensate for/against potential default events. Changes in value, including the periodic amounts of interest to be paid or received on swap agreements, are recorded as unrealized appreciation (depreciation) on swap agreements. Upon entering into a centrally cleared swap, a fund is required to deposit cash or securities (initial margin) with a financial intermediary in an amount equal to a certain percentage of the notional amount. Subsequent payments (variation margin) are made or received daily, in cash, by a fund. The variation margin is equal to the daily change in the value and is a component of unrealized gains and losses. Realized gain or loss is recorded upon receipt or payment of a periodic settlement or termination of swap agreements. Net realized and unrealized gains or losses occurring during the holding period of swap agreements are a component of net realized gain (loss) on swap agreement transactions and change in net unrealized appreciation (depreciation) on swap agreements, respectively. The risks of entering into swap agreements include the possible lack of liquidity, failure of the counterparty to meet its obligations, and that there may be unfavorable changes in the underlying investments or instruments. The fund's average notional amount held during the period was \$42,533,333.

Foreign Currency Risk — The fund is subject to foreign currency exchange rate risk in the normal course of pursuing its investment objectives. The value of foreign investments held by a fund may be significantly affected by changes in foreign currency exchange rates. The dollar value of a foreign security generally decreases when the value of the dollar rises against the foreign currency in which the security is denominated and tends to increase when the value of the dollar declines against such foreign currency. A fund may enter into forward foreign currency exchange contracts to reduce a fund's exposure to foreign currency exchange rate fluctuations or to gain exposure to the fluctuations in the value of foreign currencies. The net U.S. dollar value of foreign currency underlying all contractual commitments held by a fund and the resulting unrealized appreciation or depreciation are determined daily. Realized gain or loss is recorded upon the termination of the contract. Net realized and unrealized gains or losses occurring during the holding period of forward foreign currency exchange contracts are a component of net realized gain (loss) on forward foreign currency exchange contract transactions and change in net unrealized appreciation (depreciation) on forward foreign currency exchange contracts, respectively. A fund bears the risk of an unfavorable change in the foreign currency exchange rate underlying the forward contract. Additionally, losses, up to the fair value, may arise if the counterparties do not perform under the contract terms. The fund's average U.S. dollar exposure to foreign currency risk derivative instruments held during the period was \$27,038,721.

Interest Rate Risk — The fund is subject to interest rate risk in the normal course of pursuing its investment objectives. The value of bonds generally declines as interest rates rise. A fund may enter into futures contracts based on a bond index or a specific underlying security. A fund may purchase futures contracts to gain exposure to increases in market value or sell futures contracts to protect against a decline in market value. Upon entering into a futures contract, a fund will segregate cash, cash equivalents or other appropriate liquid securities on its records in amounts sufficient to meet requirements. Subsequent payments (variation margin) are made or received daily, in cash, by a fund. The variation margin is equal to the daily change in the contract value and is recorded as unrealized gains and losses. A fund recognizes a realized gain or loss when the futures contract is closed or expires. Net realized and unrealized gains or losses occurring during the holding period of futures contracts are a component of net realized gain (loss) on futures contract transactions and change in net unrealized appreciation (depreciation) on futures contracts, respectively. One of the risks of entering into futures contracts is the possibility that the change in value of the contract may not correlate with the changes in value of the underlying securities. The fund's average notional exposure to interest rate risk derivative instruments held during the period was \$48,250,000 futures contracts purchased.

Other Contracts — A fund may enter into total return swap agreements in order to attempt to obtain or preserve a particular return or spread at a lower cost than obtaining a return or spread through purchases and/or sales of instruments in other markets or gain exposure to certain markets in the most economical way possible. A fund will segregate cash, cash equivalents or other appropriate liquid securities on its records in amounts sufficient to meet requirements. Changes in value, including the periodic amounts of interest to be paid or received on swap agreements, are recorded as unrealized appreciation (depreciation) on swap agreements. Upon entering into a centrally cleared swap, a fund is required to deposit cash or securities (initial margin) with a financial intermediary in an amount equal to a certain percentage of the notional amount. Subsequent payments (variation margin) are made or received daily, in cash, by a fund. The variation margin is equal to the daily change in the value and is a component of unrealized gains and losses. Realized gain or loss is recorded upon receipt or payment of a periodic settlement or termination of swap agreements. Net realized and unrealized gains or losses occurring during the holding period of swap agreements are a component of net realized gain (loss) on swap agreement transactions and change in net unrealized appreciation (depreciation) on swap agreements, respectively. The risks of entering into swap agreements include the possible lack of liquidity, failure of the counterparty to meet its obligations, and that there may be unfavorable changes in the underlying investments or instruments, including inflationary risk. The fund's average notional amount held during the period was \$219,833,333.

Value of Derivative Instruments as of June 30, 2020

| Asset Derivatives | | Liability Derivatives | | |
|-----------------------|--|-----------------------|--|----------------------|
| Type of Risk Exposure | Location on Statement of Assets and Liabilities | Value | Location on Statement of Assets and Liabilities | Value |
| Foreign Currency Risk | Unrealized appreciation on forward foreign currency exchange contracts | \$ 461,419 | Unrealized depreciation on forward foreign currency exchange contracts | — |
| Other Contracts | Receivable for variation margin on swap agreements* | 135,089 | Payable for variation margin on swap agreements* | — |
| Other Contracts | Swap agreements | — | Swap agreements | \$ 14,044,085 |
| | | <u>\$ 596,508</u> | | <u>\$ 14,044,085</u> |

* Included in the unrealized appreciation (depreciation) on centrally cleared swap agreements, as reported in the Schedule of Investments.

Effect of Derivative Instruments on the Statement of Operations for the Six Months Ended June 30, 2020

| Type of Risk Exposure | Net Realized Gain (Loss) | | Change in Net Unrealized Appreciation (Depreciation) | |
|-----------------------|---|-----------------------|---|-----------------------|
| | Location on Statement of Operations | Value | Location on Statement of Operations | Value |
| Credit Risk | Net realized gain (loss) on swap agreement transactions | \$ (1,275,064) | Change in net unrealized appreciation (depreciation) on swap agreements | — |
| Foreign Currency Risk | Net realized gain (loss) on forward foreign currency exchange contract transactions | (589,626) | Change in net unrealized appreciation (depreciation) on forward foreign currency exchange contracts | \$ 557,247 |
| Interest Rate Risk | Net realized gain (loss) on futures contract transactions | 896,529 | Change in net unrealized appreciation (depreciation) on futures contracts | 39,345 |
| Other Contracts | Net realized gain (loss) on swap agreement transactions | (1,717,680) | Change in net unrealized appreciation (depreciation) on swap agreements | (10,531,102) |
| | | <u>\$ (2,685,841)</u> | | <u>\$ (9,934,510)</u> |

Counterparty Risk — The fund is subject to counterparty risk, or the risk that an institution will fail to perform its obligations to the fund. The investment advisor attempts to minimize counterparty risk prior to entering into transactions by performing extensive reviews of the creditworthiness of all potential counterparties. The fund may also enter into agreements that provide provisions for legally enforceable master netting arrangements to manage the credit risk between counterparties related to forward foreign currency exchange contracts and/or over-the-counter swap agreements. A master netting arrangement provides for the net settlement of multiple contracts with a single counterparty through a single payment in the event of default or termination of any one contract. To mitigate counterparty risk, the fund may receive assets or be required to pledge assets at the custodian bank or with a broker as designated under prescribed collateral provisions.

The fund does not offset assets and liabilities subject to master netting arrangements on the Statement of Assets and Liabilities for financial reporting purposes. The fund's asset derivatives and liability derivatives that are subject to legally enforceable offsetting arrangements as of period end were as follows:

| Counterparty | Gross Amount on Statement of Assets and Liabilities | Amount Eligible for Offset | Collateral | Net Exposure* |
|----------------------|---|----------------------------|------------------------|-------------------|
| Assets | | | | |
| Morgan Stanley | \$ 432,732 | — | — | \$ 432,732 |
| UBS AG | 28,687 | — | — | 28,687 |
| | <u>\$ 461,419</u> | <u>—</u> | <u>—</u> | <u>\$ 461,419</u> |
| Liabilities | | | | |
| Bank of America N.A. | \$ 2,628,334 | — | \$ (2,628,334) | — |
| Barclays Bank plc | 10,194,099 | — | (10,194,099) | — |
| Goldman Sachs & Co. | 1,221,652 | — | (1,221,652) | — |
| | <u>\$ 14,044,085</u> | <u>—</u> | <u>\$ (14,044,085)</u> | <u>—</u> |

*The net exposure represents the amount receivable from the counterparty or amount payable to the counterparty in the event of default or termination.

8. Risk Factors

The value of the fund's shares will go up and down, sometimes rapidly or unpredictably, based on the performance of the securities owned by the fund and other factors generally affecting the securities market. Market risks, including political, regulatory, economic and social developments, can affect the value of the fund's investments. Natural disasters, public health emergencies, terrorism and other unforeseeable events may lead to increased market volatility and may have adverse long-term effects on world economies and markets generally.

The fund may invest in instruments that have variable or floating coupon rates based on the London Interbank Offered Rate (LIBOR). LIBOR is a benchmark interest rate intended to be representative of the rate at which certain major international banks lend to one another over short-terms. LIBOR will be phased out by the end of 2021. Uncertainty remains regarding a replacement rate or rates for LIBOR. The transition process may lead to increased volatility or illiquidity in markets for instruments that rely on LIBOR. This could result in a change to the value of such instruments.

There are certain risks involved in investing in foreign securities. These risks include those resulting from political events (such as civil unrest, national elections and imposition of exchange controls), social and economic events (such as labor strikes and rising inflation), and natural disasters. Securities of foreign issuers may be less liquid and more volatile. Investing a significant portion of assets in one country or region may accentuate these risks.

9. Federal Tax Information

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

As of period end, the components of investments for federal income tax purposes were as follows:

| | |
|--|----------------------|
| Federal tax cost of investments | \$ 564,058,279 |
| Gross tax appreciation of investments | \$ 47,232,305 |
| Gross tax depreciation of investments | (2,634,370) |
| Net tax appreciation (depreciation) of investments | <u>\$ 44,597,935</u> |

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

As of December 31, 2019, the fund had accumulated short-term capital losses of \$(1,584,103) and accumulated long-term capital losses of \$(13,692,738), which represent net capital loss carryovers that may be used to offset future realized capital gains for federal income tax purposes. The capital loss carryovers may be carried forward for an unlimited period. Future capital loss carryover utilization in any given year may be subject to Internal Revenue Code limitations.

Financial Highlights

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

| Per-Share Data | | | | | | | | | | Ratios and Supplemental Data | | | |
|---------------------|--------------------------------------|---|---|----------------------------------|-----------------------|---------------------|---------------------|--------------------------------|---------------------------------|------------------------------|------------------------------|-------------------------|--|
| | Income From Investment Operations: | | | | | Distributions From: | | | Ratio to Average Net Assets of: | | | | |
| | Net Asset Value, Beginning of Period | Net Investment Income (Loss) ⁽¹⁾ | Net Realized and Unrealized Gain (Loss) | Total From Investment Operations | Net Investment Income | Net Realized Gains | Total Distributions | Net Asset Value, End of Period | Total Return ⁽²⁾ | Operating Expenses | Net Investment Income (Loss) | Portfolio Turnover Rate | Net Assets, End of Period (in thousands) |
| Class I | | | | | | | | | | | | | |
| 2020 ⁽³⁾ | \$10.28 | 0.04 | 0.32 | 0.36 | (0.06) | — | (0.06) | \$10.58 | 3.56% | 0.48% ⁽⁴⁾ | 0.78% ⁽⁴⁾ | 39% | \$107,756 |
| 2019 | \$9.66 | 0.25 | 0.63 | 0.88 | (0.26) | — | (0.26) | \$10.28 | 9.16% | 0.47% | 2.48% | 41% | \$98,523 |
| 2018 | \$10.23 | 0.28 | (0.54) | (0.26) | (0.31) | — | (0.31) | \$9.66 | (2.57)% | 0.48% | 2.83% | 15% | \$86,413 |
| 2017 | \$10.13 | 0.24 | 0.15 | 0.39 | (0.29) | — | (0.29) | \$10.23 | 3.92% | 0.47% | 2.34% | 28% | \$88,334 |
| 2016 | \$9.96 | 0.20 | 0.27 | 0.47 | (0.22) | (0.08) | (0.30) | \$10.13 | 4.71% | 0.48% | 1.88% | 37% | \$78,925 |
| 2015 | \$10.43 | 0.11 | (0.34) | (0.23) | (0.24) | — | (0.24) | \$9.96 | (2.28)% | 0.47% | 0.94% | 23% | \$49,652 |
| Class II | | | | | | | | | | | | | |
| 2020 ⁽³⁾ | \$10.26 | 0.03 | 0.32 | 0.35 | (0.05) | — | (0.05) | \$10.56 | 3.44% | 0.73% ⁽⁴⁾ | 0.53% ⁽⁴⁾ | 39% | \$497,500 |
| 2019 | \$9.64 | 0.22 | 0.63 | 0.85 | (0.23) | — | (0.23) | \$10.26 | 8.90% | 0.72% | 2.23% | 41% | \$510,615 |
| 2018 | \$10.21 | 0.26 | (0.55) | (0.29) | (0.28) | — | (0.28) | \$9.64 | (2.82)% | 0.73% | 2.58% | 15% | \$525,858 |
| 2017 | \$10.11 | 0.21 | 0.16 | 0.37 | (0.27) | — | (0.27) | \$10.21 | 3.67% | 0.72% | 2.09% | 28% | \$588,902 |
| 2016 | \$9.94 | 0.17 | 0.27 | 0.44 | (0.19) | (0.08) | (0.27) | \$10.11 | 4.39% | 0.73% | 1.63% | 37% | \$580,541 |
| 2015 | \$10.39 | 0.07 | (0.32) | (0.25) | (0.20) | — | (0.20) | \$9.94 | (2.47)% | 0.72% | 0.69% | 23% | \$524,787 |

Notes to Financial Highlights

- (1) Computed using average shares outstanding throughout the period.
- (2) Total returns are calculated based on the net asset value of the last business day. Total returns for periods less than one year are not annualized. The total returns presented do not include the fees and charges assessed with investments in variable insurance products, those charges are disclosed in the separate account prospectus. The inclusion of such fees and charges would lower total return.
- (3) Six months ended June 30, 2020 (unaudited).
- (4) Annualized.

See Notes to Financial Statements.

Approval of Management Agreement

At a meeting held on June 17, 2020, the Fund's Board of Directors (the "Board") unanimously approved the renewal of the management agreement pursuant to which American Century Investment Management, Inc. (the "Advisor") acts as the investment advisor for the Fund. Under Section 15(c) of the Investment Company Act, contracts for investment advisory services are required to be reviewed, evaluated, and approved by a majority of a fund's Directors, including a majority of the independent Directors, each year. The Board regards this annual evaluation and renewal as one of its most important responsibilities.

The independent Directors have memorialized a statement regarding the relationship between their ongoing obligations to oversee and evaluate the performance of the Advisor and their annual consideration of renewal of the management agreement. In that statement, the independent Directors noted that their assessment of the Advisor's performance is an ongoing process that takes place over the entire year and is informed by all of the extensive information that the Board and its committees receive and consider over time. This information, together with the additional materials provided specifically in connection with the review, are central to the Board's assessment of the Advisor's performance and its determination whether to renew the Fund's management agreement.

Prior to its consideration of the renewal of the management agreement, the Board requested and reviewed extensive data and analysis relating to the proposed renewal. This information and analysis was compiled by the Advisor and certain independent providers of evaluation data concerning the Fund and the services provided to the Fund by the Advisor.

In connection with its consideration of the renewal of the management agreement, the Board's review and evaluation of the services provided by the Advisor included, but was not limited to, the following:

- the nature, extent, and quality of investment management, shareholder services, and other services provided to the Fund;
- the wide range of other programs and services the Advisor and its affiliates provide to the Fund and its shareholders on a routine and non-routine basis;
- the Fund's investment performance, including data comparing the Fund's performance to appropriate benchmarks and/or a peer group of other mutual funds with similar investment objectives and strategies;
- the cost of owning the Fund compared to the cost of owning similar funds;
- the compliance policies, procedures, and regulatory experience of the Advisor and its affiliates and certain other Fund service providers;
- financial data showing the cost of services provided by the Advisor and its affiliates to the Fund, the profitability of the Fund to the Advisor, and the overall profitability of the Advisor;
- the Advisor's strategic plans;
- the Advisor's response to the COVID-19 pandemic;
- any economies of scale associated with the Advisor's management of the Fund;
- services provided and charges to the Advisor's other investment management clients;
- fees and expenses associated with any investment by the Fund in other funds;
- payments and practices in connection with financial intermediaries holding shares of the Fund on behalf of their clients and the services provided by intermediaries in connection therewith; and
- any collateral benefits derived by the Advisor from the management of the Fund.

In keeping with its practice, the Board held two meetings and the independent Directors met in private session to discuss the renewal and to review and discuss the information provided in response to their request. The Board held active discussions with the Advisor regarding the

renewal of the management agreement. The independent Directors had the benefit of the advice of their independent counsel throughout the process.

Factors Considered

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

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

- constructing and designing the Fund
- portfolio research and security selection
- initial capitalization/funding
- securities trading
- Fund administration
- custody of Fund assets
- daily valuation of the Fund's portfolio
- shareholder servicing and transfer agency, including shareholder confirmations, recordkeeping, and communications
- legal services (except the independent Directors' counsel)
- regulatory and portfolio compliance
- financial reporting
- marketing and distribution (except amounts paid by the Fund under Rule 12b-1 plans)

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

Investment Management Services. The nature of the investment management services provided to the Fund is quite complex and allows Fund shareholders access to professional money management, instant diversification of their investments within an asset class, the opportunity to easily diversify among asset classes by investing in or exchanging among various American Century Investments funds, and liquidity. In evaluating investment performance, the Board expects the Advisor to manage the Fund in accordance with its investment objectives and approved strategies. Further, the Directors recognize that the Advisor has an obligation to seek the best execution of fund trades. In providing these services, the Advisor utilizes teams of investment professionals (portfolio managers, analysts, research assistants, and securities traders) who require extensive information technology, research, training, compliance, and other systems to conduct their business. The Board, directly and through its Portfolio Committee, regularly reviews investment performance information for the Fund, together with comparative information for appropriate benchmarks and/or peer groups of similarly-managed funds, over different time horizons. The Directors also review investment performance information during the management agreement renewal process. If performance concerns are identified, the Fund receives special reviews until performance improves, during which the Board discusses with the Advisor the reasons for such results (e.g., market conditions, security selection) and any efforts being undertaken to improve performance. The Fund's performance was above its benchmark for the one-, three-, five-, and ten-year periods reviewed by the Board. The Board found the investment management services provided by the Advisor to the Fund to be satisfactory and consistent with the management agreement.

Shareholder and Other Services. Under the management agreement, the Advisor, either directly or through affiliates or third parties, provides the Fund with a comprehensive package of transfer agency, shareholder, and other services. The Board, directly and through its various committees, regularly reviews reports and evaluations of such services at its regular meetings. These reports include, but are not limited to, information regarding the operational efficiency and accuracy of the shareholder and transfer agency services provided, staffing levels, shareholder satisfaction, technology support (including cyber security), new products and services offered to Fund shareholders, securities trading activities, portfolio valuation services, auditing services, and legal and operational compliance activities. The Board found the services provided by the Advisor to the Fund under the management agreement to be competitive and of high quality.

COVID-19 Response. During 2020, much of the world experienced unprecedented change and challenges from the impacts of the rapidly evolving, worldwide spread of the COVID-19 virus. The Board evaluated the Advisor's response to the COVID-19 pandemic and its impact on service to the Fund. The Board found that Fund shareholders have continued to receive the Advisor's investment management and other services without disruption, and Advisor personnel have demonstrated great resiliency in providing those services. The Board, directly and through its committees, continues to monitor the impact of the pandemic and the response of each of the Fund's service providers.

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

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

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

Comparison to Other Funds' Fees. The management agreement provides that the Fund pays the Advisor a single, all-inclusive (or unified) management fee for providing all services necessary for the management and operation of the Fund, other than brokerage expenses, expenses attributable to short sales, taxes, interest, extraordinary expenses, fees and expenses of the Fund's independent Directors (including their independent legal counsel), and expenses incurred in connection with the provision of shareholder services and distribution services under a plan adopted pursuant to Rule 12b-1 under the Investment Company Act. Under this unified fee structure, the Advisor is responsible for providing all investment advisory, custody, audit, administrative, compliance, recordkeeping, marketing, and shareholder services, or arranging and supervising third parties to provide such services. By contrast, most other funds are charged a variety of fees, including an investment advisory fee, a transfer agency fee, an administrative fee, and other expenses. Other than their investment advisory fees and any applicable Rule 12b-1 distribution fees, all other components of the total fees charged by these other funds may be increased without shareholder approval. The Board believes the unified fee structure is a benefit to Fund shareholders because it clearly discloses to shareholders the cost of owning Fund shares, and, since the unified fee cannot be increased without a vote of Fund shareholders, it shifts to the

Advisor the risk of increased costs of operating the Fund and provides a direct incentive to minimize administrative inefficiencies. Part of the Board's analysis of fee levels involves reviewing certain evaluative data compiled by an independent provider and comparing the Fund's unified fee to the total expense ratio of peer funds. The unified fee charged to shareholders of the Fund was below the median of the total expense ratios of the Fund's peer universe. The Board concluded that the management fee paid by the Fund to the Advisor under the management agreement is reasonable in light of the services provided to the Fund.

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

Payments to Intermediaries. The Directors also requested and received a description of payments made to intermediaries by the Fund and the Advisor and services provided by intermediaries. These payments include various payments made by the Fund or the Advisor to different types of intermediaries and recordkeepers for distribution and service activities provided with respect to the Fund. The Directors reviewed such information and received representations from the Advisor that all such payments by the Fund were made pursuant to the Fund's Rule 12b-1 Plan and that all such payments by the Advisor were made from the Advisor's resources and reasonable profits. The Board found such payments to be reasonable in scope and purpose.

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

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

Conclusion of the Directors. As a result of this process, the Board, including all of the independent Directors and assisted by the advice of independent legal counsel, taking into account all of the factors discussed above and the information provided by the Advisor and others in connection with its review and throughout the year, concluded that the management agreement between the Fund and the Advisor is fair and reasonable in light of the services provided and should be renewed.

Liquidity Risk Management Program

The Fund has adopted a liquidity risk management program (the "program"). The Fund's Board of Trustees (the "Board") has designated American Century Investment Management, Inc. ("ACIM") as the administrator of the program. Personnel of ACIM or its affiliates conduct the day-to-day operation of the program pursuant to policies and procedures administered by those members of the ACIM's Investment Oversight Committee who are members of the ACIM's Investment Management and Global Analytics departments.

Under the program, ACIM manages the Fund's liquidity risk, which is the risk that the Fund could not meet shareholder redemption requests without significant dilution of remaining shareholders' interests in the Fund. This risk is managed by monitoring the degree of liquidity of the Fund's investments, limiting the amount of the Fund's illiquid investments, and utilizing various risk management tools and facilities available to the Fund for meeting shareholder redemptions, among other means. ACIM's process of determining the degree of liquidity of the Fund's investments is supported by one or more third-party liquidity assessment vendors.

The Board reviewed a report prepared by ACIM regarding the operation and effectiveness of the program for the period December 1, 2018 through December 31, 2019. No significant liquidity events impacting the Fund were noted in the report. In addition, ACIM provided its assessment that the program had been effective in managing the Fund's liquidity risk.

Additional Information

Proxy Voting Policies

Descriptions of the principles and policies that the fund's investment advisor uses in exercising the voting rights associated with the securities purchased and/or held by the fund are available without charge, upon request, by calling 1-800-378-9878 or visiting American Century Investments' website at americanCentury.com/proxy. A description of the policies is also available on the Securities and Exchange Commission's website at sec.gov. Information regarding how the investment advisor voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available on americanCentury.com/proxy. It is also available at sec.gov.

Quarterly Portfolio Disclosure

The fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year as an exhibit to its reports on Form N-PORT. The fund's Form N-PORT reports are available on the SEC's website at sec.gov. The fund also makes its complete schedule of portfolio holdings for the most recent quarter of its fiscal year available on its website at ipro.americanCentury.com (for Investment Professionals) and, upon request, by calling 1-800-378-9878.

Notes



Contact Us

americanCentury.com

| | |
|---|----------------|
| Automated Information Line | 1-800-345-8765 |
| Investment Professional Service Representatives | 1-800-345-6488 |
| Telecommunications Relay Service for the Deaf | 711 |

American Century Variable Portfolios II, Inc.

Investment Advisor:

American Century Investment Management, Inc.
Kansas City, Missouri

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