

# Dreyfus Variable Investment Fund, Quality Bond Portfolio

**SEMIANNUAL REPORT** June 30, 2009



BNY MELLON  
ASSET MANAGEMENT

**Dreyfus**

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## A LETTER FROM THE CHAIRMAN AND CEO

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Dear Shareholder:

We are pleased to present this semiannual report for Dreyfus Variable Investment Fund, Quality Bond Portfolio, covering the six-month period from January 1, 2009, through June 30, 2009.

The severe recession and banking crisis that dominated the financial markets at the start of 2009 appear to have moderated as of mid-year. Previously frozen credit markets have thawed, giving businesses access to the capital they need to grow. After reaching multi-year lows early in the year, higher-yielding segments of the bond market staged an impressive rally, while U.S. Treasury securities gave back some of their 2008 gains. While the U.S. economy remains weak overall, we have seen encouraging evidence of potential recovery, including a recovering housing market and improvements within certain manufacturing sectors. Meanwhile, inflation has remained tame in the face of high unemployment and unused manufacturing capacity.

Although these developments give us reasons for optimism, we remain cautious due to the speed and magnitude of the corporate bond market's 2009 rebound. Indeed, the market's advance was fueled more by investors' renewed appetites for risk than improving business fundamentals. We would prefer to see a steadier rise in asset prices supported by more concrete economic data, as the rapid rise increases the possibility that profit-taking could move the market lower. In uncertain markets such as this one, even the most seasoned investors can benefit from professional counsel. To determine how your investments should be positioned for the challenges and opportunities that lie ahead, we continue to stress that you talk regularly with your financial advisor.

For information about how the fund performed during the reporting period, as well as market perspectives, we have provided a Discussion of Performance given by the fund's Portfolio Managers.

Thank you for your continued confidence and support.

Sincerely,

Jonathan R. Baum  
Chairman and Chief Executive Officer  
The Dreyfus Corporation  
July 15, 2009



## DISCUSSION OF PERFORMANCE

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*For the period of January 1, 2009, through June 30, 2009, as provided by David Bowser and Peter Vaream, Portfolio Managers*

### **Fund and Market Performance Overview**

For the six-month period ended June 30, 2009, Dreyfus Variable Investment Fund, Quality Bond Portfolio's Initial shares achieved a total return of 5.59%, and its Service shares achieved a total return of 5.49%.<sup>1</sup> The Barclays Capital U.S. Aggregate Bond Index (the "Index"), the fund's benchmark, achieved a total return of 1.90% for the same period.<sup>2</sup>

The U.S. bond market remained volatile due to the lingering effects of the global financial crisis and recession, but continued declines among higher-yielding bonds early in the reporting period were offset by a springtime rally as investors grew more comfortable with credit risk. The fund produced higher returns than its benchmark, primarily as a result of an underweighted position in U.S. Treasury securities and overweight exposure to corporate bonds and mortgage-backed securities.

### **The Fund's Investment Approach**

The fund seeks to maximize total return consisting of capital appreciation and current income. To achieve this objective, the portfolio normally invests at least 80% of its assets in bonds, including corporate bonds, mortgage-related securities, collateralized mortgage obligations and asset-backed securities that, when purchased, are A-rated or better or what we believe are the unrated equivalent, and in securities issued or guaranteed by the U.S. government or its agencies or its instrumentalities. The fund may also invest up to 10% of its net assets in non-dollar-denominated foreign securities and up to 20% of its assets in the securities of foreign issues collectively.

### **Sustained Market Rally Offset Earlier Weakness**

The reporting period began amid a global banking crisis that had been exacerbated in 2008 by forced deleveraging among institutional investors, resulting in steep declines for higher-yielding bonds, including mortgage-backed securities, asset-backed securities, corporate bonds and

emerging-market securities. In contrast, U.S. Treasury securities had rallied strongly amid a “flight to quality,” causing their yields to fall to unprecedented low levels. Meanwhile, slumping housing markets, rising unemployment and deteriorating consumer confidence led to the longest and deepest recession since the 1930s.

The Federal Reserve Board (the “Fed”) and the U.S. government responded aggressively to the economic and financial crises. Government officials rescued a number of struggling corporations deemed “too big to fail” in 2008, and Congress followed up with the \$787 billion American Recovery and Reinvestment Act of 2009. The Fed injected massive amounts of liquidity into the banking system and purchased mortgage- and asset-backed debt through unprecedented programs such as the Term Asset-Backed Securities Loan Facility (TALF). In addition, just weeks before the start of the reporting period, the Fed completed a series of dramatic interest-rate reductions by cutting its target for the overnight federal funds rate to an all-time low of 0% to 0.25%.

As it became clearer in March 2009 that these remedial measures had helped to avert a collapse of the U.S. banking system, investor sentiment began to improve. Fixed-income investors began to look forward to better credit-market conditions, and they became more tolerant of the risks they previously had avoided. Investors capitalized on attractive valuations among higher-yielding bonds, sparking impressive springtime rallies. Conversely, U.S. Treasury securities gave back some of their earlier gains.

### **Sector Allocation Strategy Proved Effective**

The fund began the reporting period with underweighted exposure to U.S. Treasury securities, which offered historically low yields. Conversely, the fund started 2009 with overweight positions in higher-yielding market sectors that had been punished during the downturn, including investment-grade corporate bonds and higher-quality mortgage-backed securities. We also had established relatively modest positions in high yield corporate bonds, commercial mortgage-backed securities and international bonds, which are not represented in the fund’s benchmark.

This positioning fared well during the market rally, when yield differences between U.S. Treasury securities and other market sectors narrowed from historically wide levels. Although the fund’s corporate

bond investments were broadly diversified across industry groups with an emphasis on traditionally defensive areas, such as utilities, the fund received particularly strong results from securities issued by companies in the financials sector. The fund's investments in mortgage-backed securities primarily focused on lower-coupon bonds issued by U.S. government agencies, which generally held up better than non-agency mortgages under volatile market conditions.

On the other hand, we had established a relatively long average duration to guard against the potential effects of unexpected economic weakness on longer-term interest rates, and that position detracted modestly from the fund's relative performance over the reporting period.

### **Balancing Opportunity with Risk Controls**

As of the reporting period's end, we have maintained a relatively constructive approach to our sector allocation strategy, as we believe that higher-yielding bonds have room for further gains as yield differences continue to moderate along the credit spectrum. In our judgment, this strategy positions the fund to participate in the stronger segments of the fixed-income markets while managing risks and volatility effectively.

July 15, 2009

*The fund is only available as a funding vehicle under variable life insurance policies or variable annuity contracts issued by insurance companies. Individuals may not purchase shares of the fund directly. A variable annuity is an insurance contract issued by an insurance company that enables investors to accumulate assets on a tax-deferred basis for retirement or other long-term goals. The investment objective and policies of Dreyfus Variable Investment Fund, Quality Bond Portfolio may be similar to other funds/portfolios managed or advised by Dreyfus. However, the investment results of the fund may be higher or lower than, and may not be comparable to, those of any other Dreyfus fund/portfolio.*

- <sup>1</sup> Total return includes reinvestment of dividends and any capital gains paid. Past performance is no guarantee of future results. Share price and investment return fluctuate such that upon redemption, portfolio shares may be worth more or less than their original cost. The fund's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in variable insurance contracts, which will reduce returns.
- <sup>2</sup> SOURCE: LIPPER INC. — Reflects reinvestment of dividends and, where applicable, capital gain distributions. The Barclays Capital U.S. Aggregate Bond Index is a widely accepted, unmanaged total return index of corporate, U.S. government and U.S. government agency debt instruments, mortgage-backed securities and asset-backed securities with an average maturity of 1-10 years. The Index does not include fees and expenses to which the fund is subject.

## UNDERSTANDING YOUR PORTFOLIO'S EXPENSES (Unaudited)

As a mutual fund investor, you pay ongoing expenses, such as management fees and other expenses. Using the information below, you can estimate how these expenses affect your investment and compare them with the expenses of other funds. You also may pay one-time transaction expenses, including sales charges (loads), redemption fees and expenses associated with variable annuity or insurance contracts, which are not shown in this section and would have resulted in higher total expenses. For more information, see your portfolio's prospectus or talk to your financial adviser.

### Review your portfolio's expenses

The table below shows the expenses you would have paid on a \$1,000 investment in Dreyfus Variable Investment Fund, Quality Bond Portfolio from January 1, 2009 to June 30, 2009. It also shows how much a \$1,000 investment would be worth at the close of the period, assuming actual returns and expenses.

#### Expenses and Value of a \$1,000 Investment

assuming actual returns for the six months ended June 30, 2009

	Initial Shares	Service Shares
Expenses paid per \$1,000 <sup>†</sup>	\$ 3.77	\$ 5.15
Ending value (after expenses)	\$1,055.90	\$1,054.90

## COMPARING YOUR PORTFOLIO'S EXPENSES WITH THOSE OF OTHER FUNDS (Unaudited)

### Using the SEC's method to compare expenses

The Securities and Exchange Commission (SEC) has established guidelines to help investors assess fund expenses. Per these guidelines, the table below shows your portfolio's expenses based on a \$1,000 investment, assuming a hypothetical 5% annualized return. You can use this information to compare the ongoing expenses (but not transaction expenses or total cost) of investing in the portfolio with those of other funds. All mutual fund shareholder reports will provide this information to help you make this comparison. Please note that you cannot use this information to estimate your actual ending account balance and expenses paid during the period.

#### Expenses and Value of a \$1,000 Investment

assuming a hypothetical 5% annualized return for the six months ended June 30, 2009

	Initial Shares	Service Shares
Expenses paid per \$1,000 <sup>†</sup>	\$ 3.71	\$ 5.06
Ending value (after expenses)	\$1,021.12	\$1,019.79

<sup>†</sup> Expenses are equal to the portfolio's annualized expense ratio of .74% for Initial shares and 1.01% for Service shares; multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).

# STATEMENT OF INVESTMENTS

June 30, 2009 (Unaudited)

<b>Bonds and Notes-113.0%</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Advertising-.0%</b>				
Lamar Media, Gtd. Notes	6.63	8/15/15	61,000 <sup>a</sup>	<b>53,680</b>
<b>Aerospace &amp; Defense-.4%</b>				
L-3 Communications, Gtd. Notes, Ser. B	6.38	10/15/15	340,000	310,250
Raytheon, Sr. Unscd. Notes	5.50	11/15/12	210,000	228,704
				<b>538,954</b>
<b>Agriculture-.2%</b>				
Altria Group, Gtd. Notes	9.70	11/10/18	280,000	<b>321,514</b>
<b>Asset-Backed Ctfs./</b>				
<b>Auto Receivables-3.0%</b>				
Americredit Automobile Receivables Trust, Ser. 2008-AF, Cl. A2A	4.47	1/12/12	305,505	307,140
Americredit Automobile Receivables Trust, Ser. 2005-DA, Cl. A3	4.87	12/6/10	16,824	16,831
Americredit Automobile Receivables Trust, Ser. 2006-BG, Cl. A3	5.21	10/6/11	249,668	249,272
Americredit Automobile Receivables Trust, Ser. 2006-RM, Cl. A2	5.42	8/8/11	457,664	465,524
Americredit Prime Automobile Receivables, Ser. 2007-1, Cl. E	6.96	3/8/16	250,166 <sup>b</sup>	123,582
Capital Auto Receivables Asset Trust, Ser. 2007-3, Cl. A3A	5.02	9/15/11	172,542	175,720
Capital One Auto Finance Trust, Ser. 2007-A, Cl. A3B	0.32	8/15/11	148,554 <sup>c</sup>	147,664
Capital One Auto Finance Trust, Ser. 2007-B, Cl. A3B	0.32	4/15/12	307,207 <sup>c</sup>	303,724
Capital One Auto Finance Trust, Ser. 2006-C, Cl. A3A	5.07	7/15/11	113,641	113,642
Capital One Auto Finance Trust, Ser. 2007-C, Cl. A3A	5.13	4/16/12	675,836	680,460
Ford Credit Auto Owner Trust, Ser. 2006-C, Cl. C	5.47	9/15/12	215,000	203,593
Ford Credit Auto Owner Trust, Ser. 2007-A, Cl. D	7.05	12/15/13	250,000 <sup>b</sup>	152,748
Honda Auto Receivables Owner Trust, Ser. 2008-1, Cl. A2	3.77	9/20/10	98,038	98,729

## STATEMENT OF INVESTMENTS (Unaudited) (continued)

<b>Bonds and Notes (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Asset-Backed Ctfs./</b>				
<b>Auto Receivables (continued)</b>				
Household Automotive Trust, Ser. 2005-3, Cl. A4	4.94	11/19/12	187,825	192,746
Hyundai Auto Receivables Trust, Ser. 2007-A, Cl. A3A	5.04	1/17/12	209,303	213,875
Wachovia Auto Loan Owner Trust, Ser. 2007-1, Cl. D	5.65	2/20/13	610,000	434,102
WFS Financial Owner Trust, Ser. 2005-2, Cl. B	4.57	11/19/12	90,112	90,143
				<b>3,969,495</b>
<b>Asset-Backed Ctfs./Credit Cards-.7%</b>				
Capital One Multi-Asset Execution Trust, Ser. 2004-C4, Cl. C4	0.97	6/15/12	425,000 <sup>c</sup>	423,195
Washington Mutual Master Note Trust, Ser. 2007-B1, Cl. B1	4.95	3/17/14	440,000 <sup>b</sup>	438,533
				<b>861,728</b>
<b>Asset-Backed Ctfs./</b>				
<b>Home Equity Loans-1.1%</b>				
Ameritrust Mortgage Securities, Ser. 2003-11, Cl. AF6	5.14	1/25/34	462,278 <sup>c</sup>	373,913
Citicorp Residential Mortgage Securities, Ser. 2006-2, Cl. A2	5.56	9/25/36	223,609 <sup>c</sup>	221,655
CS First Boston Mortgage Securities, Ser. 2005-C4, Cl. AAB	5.07	8/15/38	390,000 <sup>c</sup>	378,893
GSAA Home Equity Trust, Ser. 2006-7, Cl. AV1	0.39	3/25/46	44,220 <sup>c</sup>	42,572
Mastr Asset Backed Securities Trust, Ser. 2006-AM1, Cl. A2	0.44	1/25/36	120,810 <sup>c</sup>	112,497
Residential Asset Securities, Ser. 2005-EMX4, Cl. A2	0.57	11/25/35	343,169 <sup>c</sup>	290,258
				<b>1,419,788</b>
<b>Asset-Backed Ctfs./</b>				
<b>Manufactured Housing-.1%</b>				
Green Tree Financial, Ser. 1994-7, Cl. M1	9.25	3/15/20	110,436	<b>105,550</b>
<b>Automotive, Trucks &amp; Parts-.3%</b>				
Goodyear Tire & Rubber, Gtd. Notes	8.63	12/1/11	335,000 <sup>a</sup>	<b>331,650</b>

<b>Bonds and Notes (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Banks-4.3%</b>				
Barclays Bank, Jr. Sub. Bonds	5.93	9/29/49	460,000 <sup>b,c</sup>	262,541
Barclays Bank, Sr. Unscd. Notes	6.75	5/22/19	120,000	119,224
Barclays Bank, Sub. Bonds	7.70	4/29/49	430,000 <sup>b,c</sup>	358,254
Capital One Bank USA, Sub. Notes	8.80	7/15/19	330,000	337,695
M & I Marshall & Ilsley Bank, Sub. Notes, Ser. BN	0.92	12/4/12	225,000 <sup>c</sup>	156,580
M&T Bank, Sr. Unscd. Bonds	5.38	5/24/12	190,000 <sup>a</sup>	187,761
Manufacturers & Traders Trust, Sub. Notes	5.59	12/28/20	275,000 <sup>c</sup>	213,190
Morgan Stanley, Sr. Unscd. Notes	5.30	3/1/13	620,000	628,495
NB Capital Trust IV, Bank Gtd. Cap. Secs.	8.25	4/15/27	620,000	521,713
PNC Funding, Gtd. Notes	6.70	6/10/19	325,000	335,811
Sovereign Bancorp, Sr. Unscd. Notes	0.84	3/23/10	370,000 <sup>c</sup>	341,521
Sovereign Bancorp, Sr. Unscd. Notes	4.80	9/1/10	525,000 <sup>c</sup>	512,958
Sumitomo Mitsui Banking, Sub. Notes	EUR 4.38	7/29/49	210,000 <sup>c,d</sup>	223,896
Sumitomo Mitsui Banking, Sub. Notes	5.63	7/29/49	255,000 <sup>b,c</sup>	234,984
SunTrust Preferred Capital I, Bank Gtd. Notes	5.85	12/31/49	74,000 <sup>c</sup>	74,143
Wells Fargo & Co., Sub. Notes	6.38	8/1/11	290,000	304,031
Wells Fargo Capital XIII, Gtd. Secs.	7.70	12/29/49	985,000 <sup>c</sup>	818,175
				<b>5,630,972</b>
<b>Building &amp; Construction-.2%</b>				
Masco, Sr. Unscd. Notes	0.94	3/12/10	240,000 <sup>c</sup>	<b>231,538</b>

## STATEMENT OF INVESTMENTS (Unaudited) (continued)

<b>Bonds and Notes (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Chemicals--.2%</b>				
Dow Chemical, Sr. Unscd. Notes	8.55	5/15/19	315,000	<b>316,080</b>
<b>Commercial &amp; Professional Services--.7%</b>				
ERAC USA Finance, Bonds	5.60	5/1/15	310,000 <sup>b</sup>	282,476
ERAC USA Finance, Gtd. Notes	6.38	10/15/17	500,000 <sup>b</sup>	452,155
ERAC USA Finance, Notes	7.95	12/15/09	210,000 <sup>b</sup>	209,058
				<b>943,689</b>
<b>Commercial Mortgage Pass-Through Ctfs.--10.2%</b>				
Banc of America Commercial Mortgage, Ser. 2002-2, Cl. A3	5.12	7/11/43	190,000	188,712
Bayview Commercial Asset Trust, Ser. 2006-SP1, Cl. A1	0.58	4/25/36	54,963 <sup>b,c</sup>	32,879
Bayview Commercial Asset Trust, Ser. 2004-1, Cl. A	0.67	4/25/34	118,449 <sup>b,c</sup>	73,808
Bayview Commercial Asset Trust, Ser. 2006-2A, Cl. B2	1.78	7/25/36	328,853 <sup>b,c</sup>	67,911
Bayview Commercial Asset Trust, Ser. 2006-1A, Cl. B2	2.01	4/25/36	76,098 <sup>b,c</sup>	15,286
Bayview Commercial Asset Trust, Ser. 2005-3A, Cl. B3	3.31	11/25/35	83,312 <sup>b,c</sup>	21,704
Bayview Commercial Asset Trust, Ser. 2005-4A, Cl. B3	3.81	1/25/36	60,518 <sup>b,c</sup>	9,078
Bear Stearns Commercial Mortgage Securities, Ser. 2007-T26, Cl. A4	5.47	1/12/45	565,000 <sup>c</sup>	470,752
Bear Stearns Commercial Mortgage Securities, Ser. 2006-PW12, Cl. AAB	5.69	9/11/38	430,000 <sup>c</sup>	407,541
Bear Stearns Commercial Mortgage Securities, Ser. 2007-T28, Cl. A4	5.74	9/11/42	800,000 <sup>c</sup>	662,288
Citigroup Commercial Mortgage Trust, Ser. 2007-C6, Cl. A4	5.70	12/10/49	566,000 <sup>c</sup>	449,071
Credit Suisse/Morgan Stanley Commercial Mortgage Certificates, Ser. 2006-HC1A, Cl. A1	0.51	5/15/23	416,697 <sup>b,c</sup>	325,914

<b>Bonds and Notes (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Commercial Mortgage Pass-Through Ctfs. (continued)</b>				
Crown Castle Towers, Ser. 2005-1A, Cl. AFX	4.64	6/15/35	200,000 <sup>b</sup>	195,000
Crown Castle Towers, Ser. 2006-1A, Cl. AFX	5.24	11/15/36	950,000 <sup>b</sup>	912,000
Crown Castle Towers, Ser. 2006-1A, Cl. B	5.36	11/15/36	190,000 <sup>b</sup>	186,200
Crown Castle Towers, Ser. 2006-1A, Cl. C	5.47	11/15/36	505,000 <sup>b</sup>	494,900
Crown Castle Towers, Ser. 2005-1A, Cl. D	5.61	6/15/35	240,000 <sup>b</sup>	232,800
Crown Castle Towers, Ser. 2006-1A, Cl. D	5.77	11/15/36	350,000 <sup>b</sup>	343,000
First Union National Bank Commercial Mortgage Trust, Ser. 2001-C2, Cl. A2	6.66	1/12/43	264,504	272,508
Goldman Sachs Mortgage Securities Corporation II, Ser. 2007-EOP, Cl. B	0.57	3/6/20	1,065,000 <sup>b,c</sup>	747,017
Goldman Sachs Mortgage Securities Corporation II, Ser. 2007-EOP, Cl. E	0.76	3/6/20	395,000 <sup>b,c</sup>	272,091
Goldman Sachs Mortgage Securities Corporation II, Ser. 2007-EOP, Cl. K	1.37	3/6/20	225,000 <sup>b,c</sup>	146,582
JP Morgan Chase Commercial Mortgage Securities, Ser. 2005-LDP5, Cl. A2	5.20	12/15/44	725,000	702,301
LB-UBS Commercial Mortgage Trust, Ser. 2006-C1, Cl. A4	5.16	2/15/31	620,000	517,858
LB-UBS Commercial Mortgage Trust, Ser. 2007-C7, Cl. A3	5.87	9/15/45	920,000 <sup>c</sup>	706,319
Merrill Lynch Mortgage Trust, Ser. 2003-KEY1, Cl. A2	4.44	11/12/35	249,286	247,418
Merrill Lynch Mortgage Trust, Ser. 2005-CK11, Cl. A2	5.22	11/12/37	165,000 <sup>c</sup>	160,637
Merrill Lynch Mortgage Trust, Ser. 2002-MW1, Cl. A3	5.40	7/12/34	513,643	519,654
Morgan Stanley Capital I, Ser. 2005-HQ5, Cl. A2	4.81	1/14/42	438,161	442,371
Morgan Stanley Capital I, Ser. 2007-HQ11, Cl. A4	5.45	2/12/44	1,000,000 <sup>c</sup>	766,769

## STATEMENT OF INVESTMENTS (Unaudited) (continued)

<b>Bonds and Notes (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Commercial Mortgage</b>				
<b>Pass-Through Ctfs. (continued)</b>				
Morgan Stanley Capital I, Ser. 2007-HQ11, Cl. AM	5.48	2/12/44	610,000 <sup>c</sup>	314,944
Morgan Stanley Capital I, Ser. 2007-T27, Cl. A4	5.65	6/11/42	645,000 <sup>c</sup>	542,884
SBA CMBS Trust, Ser. 2006-1A, Cl. D	5.85	11/15/36	135,000 <sup>b</sup>	121,500
TIAA Seasoned Commercial Mortgage Trust, Ser. 2007-C4, Cl. A3	6.10	8/15/39	325,000 <sup>c</sup>	304,757
Wachovia Bank Commercial Mortgage Trust, Ser. 2005-C16, Cl. A2	4.38	10/15/41	351,611	350,403
Wachovia Bank Commercial Mortgage Trust, Ser. 2005-C19, Cl. A5	4.66	5/15/44	300,000	266,682
Wachovia Bank Commercial Mortgage Trust, Ser. 2007-C34, Cl. A3	5.68	5/15/46	1,190,000	969,512
				<b>13,461,051</b>
<b>Diversified Financial Services—7.1%</b>				
American Express Credit, Sr. Unscd. Notes	0.38	11/9/09	315,000 <sup>c</sup>	312,900
American Express, Sr. Unscd. Notes	7.25	5/20/14	575,000	595,406
Ameriprise Financial, Jr. Sub. Notes	7.52	6/1/66	233,000 <sup>c</sup>	176,133
Amvescap, Gtd. Notes	5.38	2/27/13	250,000	218,765
Boeing Capital, Sr. Unscd. Notes	7.38	9/27/10	490,000	519,854
Caterpillar Financial Services, Sr. Unscd. Notes	7.15	2/15/19	390,000	418,179
Citigroup, Sr. Unscd. Notes	5.50	4/11/13	1,000,000	938,023
Citigroup, Sr. Unscd. Notes	6.13	5/15/18	85,000	74,468
Countrywide Home Loans, Gtd. Notes	4.13	9/15/09	210,000	210,695
Credit Suisse Guernsey, Jr. Sub. Notes	5.86	5/29/49	481,000 <sup>c</sup>	313,090

<b>Bonds and Notes (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Diversified Financial Services (continued)</b>				
Fresenius US Finance II, Gtd. Notes	9.00	7/15/15	475,000 <sup>b</sup>	497,563
General Electric Capital, Sr. Unscd. Notes	1.20	10/21/10	945,000 <sup>a,c</sup>	928,612
Goldman Sachs Capital II, Gtd. Bonds	5.79	12/29/49	315,000 <sup>c</sup>	192,090
Goldman Sachs Group, Sub. Notes	5.63	1/15/17	195,000	185,609
Goldman Sachs Group, Sub. Notes	6.75	10/1/37	350,000	312,060
HSBC Finance Capital Trust IX, Gtd. Notes	5.91	11/30/35	625,000 <sup>c</sup>	330,765
Hutchison Whampoa International, Gtd. Notes	7.63	4/9/19	155,000 <sup>b</sup>	172,519
Jefferies Group, Sr. Unscd. Debs.	6.25	1/15/36	440,000	304,329
John Deere Capital, Sr. Unscd. Notes	0.71	9/1/09	291,000 <sup>c</sup>	290,950
JPMorgan Chase & Co., Sr. Unscd. Notes	6.00	1/15/18	535,000	532,349
JPMorgan Chase & Co., Sr. Unscd. Notes	6.40	5/15/38	445,000	447,588
Merrill Lynch & Co., Sub. Notes	5.70	5/2/17	740,000	635,691
MUFG Capital Finance I, Bank Gtd. Bonds	6.35	7/29/49	250,000 <sup>c</sup>	219,151
Pearson Dollar Finance Two, Gtd. Notes	6.25	5/6/18	430,000 <sup>b</sup>	413,171
Windsor Financing, Sr. Scd. Notes	5.88	7/15/17	94,752 <sup>b</sup>	83,483
				<b>9,323,443</b>
<b>Electric Utilities—5.8%</b>				
AES, Sr. Unscd. Notes	7.75	10/15/15	285,000	266,475
AES, Sr. Unscd. Notes	8.00	10/15/17	270,000	252,450

## STATEMENT OF INVESTMENTS (Unaudited) (continued)

<b>Bonds and Notes (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Electric Utilities (continued)</b>				
Cleveland Electric Illuminating, Sr. Unscd. Notes	5.70	4/1/17	500,000	487,877
Consolidated Edison of NY, Sr. Unscd. Debs., Ser. 06-D	5.30	12/1/16	400,000	416,210
Consolidated Edison of NY, Sr. Unscd. Debs., Ser. 08-A	5.85	4/1/18	230,000	242,084
Consumers Energy, First Mortgage Bonds, Ser. O	5.00	2/15/12	655,000 <sup>a</sup>	666,218
Enel Finance International, Gtd. Notes	5.70	1/15/13	185,000 <sup>b</sup>	193,490
Enel Finance International, Gtd. Bonds	6.25	9/15/17	645,000 <sup>b</sup>	674,506
FirstEnergy, Sr. Unscd. Notes, Ser. B	6.45	11/15/11	245,000	255,861
FPL Group Capital, Gtd. Debs.	5.63	9/1/11	950,000	1,016,026
National Grid, Sr. Unscd. Notes	6.30	8/1/16	605,000	622,449
Nevada Power, Mortgage Notes	6.50	8/1/18	305,000	312,404
Nevada Power, Mortgage Notes, Ser. R	6.75	7/1/37	265,000	273,905
NiSource Finance, Gtd. Notes	1.23	11/23/09	260,000 <sup>c</sup>	257,960
NiSource Finance, Gtd. Notes	5.25	9/15/17	375,000	322,077
NRG Energy, Gtd. Notes	7.38	1/15/17	350,000	330,750
Ohio Power, Sr. Unscd. Notes	1.35	4/5/10	390,000 <sup>c</sup>	385,807
Pacific Gas & Electric, Sr. Unscd. Notes	6.35	2/15/38	260,000	282,215
Sierra Pacific Power, Mortgage Notes, Ser. P	6.75	7/1/37	130,000 <sup>a</sup>	134,369
Southern, Sr. Unscd. Notes, Ser. A	5.30	1/15/12	290,000 <sup>a</sup>	304,679
				<b>7,697,812</b>

<b>Bonds and Notes (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Environmental Control—4%</b>				
Allied Waste North America, Sr. Unscd. Notes, Ser. B	7.13	5/15/16	115,000	115,730
USA Waste Services, Sr. Unscd. Notes	7.00	7/15/28	210,000	199,342
Waste Management, Gtd. Notes	7.38	5/15/29	200,000	197,716
				<b>512,788</b>
<b>Food &amp; Beverages—3.3%</b>				
Anheuser-Busch InBev Worldwide, Gtd. Notes	8.20	1/15/39	635,000 <sup>b</sup>	709,285
Bottling Group, Sr. Unscd. Notes	5.13	1/15/19	325,000	331,873
Coca-Cola, Sr. Unscd. Notes	4.88	3/15/19	295,000	303,707
Diageo Capital, Gtd. Notes	7.38	1/15/14	445,000	503,987
Kraft Foods, Sr. Unscd. Notes	6.00	2/11/13	100,000	106,622
Kraft Foods, Sr. Unscd. Notes	6.13	2/1/18	755,000	781,910
Kroger, Gtd. Notes	6.15	1/15/20	410,000	419,719
Safeway, Sr. Unscd. Notes	6.35	8/15/17	410,000	433,964
Stater Brothers Holdings, Gtd. Notes	7.75	4/15/15	257,000	248,005
Stater Brothers Holdings, Gtd. Notes	8.13	6/15/12	293,000	290,070
SUPERVALU, Sr. Unscd. Bonds	7.50	5/15/12	125,000	124,375
SUPERVALU, Sr. Unscd. Bonds	7.50	11/15/14	35,000	33,775
SUPERVALU, Sr. Unscd. Notes	8.00	5/1/16	150,000	146,250
				<b>4,433,542</b>

## STATEMENT OF INVESTMENTS (Unaudited) (continued)

<b>Bonds and Notes (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Foreign/Governmental-1.1%</b>				
Federal Republic of Brazil, Sr. Unscd. Bonds	6.00	1/17/17	505,000	520,907
Province of Quebec Canada, Unscd. Notes	4.60	5/26/15	305,000	316,402
Republic of Italy, Sr. Unscd. Notes	5.38	6/12/17	310,000	315,574
United Mexican States, Sr. Unscd. Notes	5.63	1/15/17	326,000 <sup>a</sup>	331,216
				<b>1,484,099</b>
<b>Health Care-1.0%</b>				
Ace INA Holdings, Gtd. Notes	5.80	3/15/18	255,000	254,504
American Home Products, Sr. Unscd. Notes	6.95	3/15/11	325,000 <sup>c</sup>	352,016
Community Health Systems, Gtd. Notes	8.88	7/15/15	205,000	201,925
Davita, Gtd. Notes	6.63	3/15/13	335,000	317,412
Wellpoint, Sr. Unscd. Notes	5.88	6/15/17	165,000	161,739
				<b>1,287,596</b>
<b>Machinery-.3%</b>				
Atlas Copco, Sr. Unscd. Bonds	5.60	5/22/17	265,000 <sup>b</sup>	255,251
Terex, Gtd. Notes	7.38	1/15/14	135,000	124,200
				<b>379,451</b>
<b>Manufacturing-Diversified-.8%</b>				
Bombardier, Sr. Unscd. Notes	8.00	11/15/14	225,000 <sup>b</sup>	212,906
Honeywell International, Sr. Unscd. Notes	5.00	2/15/19	485,000	496,313
Smiths Group, Sr. Unscd. Notes	7.20	5/15/19	420,000 <sup>b</sup>	405,171
				<b>1,114,390</b>
<b>Media-4.8%</b>				
BSKYB Finance UK, Gtd. Notes	6.50	10/15/35	300,000 <sup>b</sup>	264,556

<b>Bonds and Notes (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Media (continued)</b>				
Comcast, Gtd. Notes	5.50	3/15/11	485,000	504,864
Comcast, Gtd. Notes	6.30	11/15/17	425,000	450,539
Cox Communications, Notes	6.25	6/1/18	405,000 <sup>b</sup>	401,029
CSC Holdings, Sr. Unscd. Notes	8.50	4/15/14	25,000 <sup>a,b</sup>	24,906
CSC Holdings, Sr. Unscd. Notes	8.63	2/15/19	310,000 <sup>b</sup>	303,025
DirecTV Holdings Financing, Gtd. Notes	7.63	5/15/16	335,000	327,462
Echostar DBS, Gtd. Notes	7.75	5/31/15	505,000	483,537
News America Holdings, Gtd. Debs.	7.70	10/30/25	425,000	401,328
News America, Gtd. Notes	6.15	3/1/37	460,000	391,319
News America, Gtd. Notes	6.65	11/15/37	355,000	320,282
Reed Elsevier Capital, Gtd. Notes	4.63	6/15/12	670,000	648,075
Time Warner Cable, Gtd. Notes	5.85	5/1/17	440,000	440,066
Time Warner Cable, Gtd. Notes	6.75	7/1/18	535,000	558,177
Time Warner, Gtd. Notes	5.88	11/15/16	900,000	888,266
				<b>6,407,431</b>
<b>Mining--.9%</b>				
BHP Billiton Finance USA, Gtd. Notes	6.50	4/1/19	155,000	172,447
Freeport-McMoRan Cooper & Gold, Sr. Unscd. Notes	8.38	4/1/17	325,000	327,898
Rio Tinto Finance USA, Gtd. Notes	5.88	7/15/13	395,000	397,828
Teck Resources, Sr. Scd. Notes	10.25	5/15/16	35,000 <sup>b</sup>	36,708

## STATEMENT OF INVESTMENTS (Unaudited) (continued)

<b>Bonds and Notes (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Mining (continued)</b>				
Teck Resources, Sr. Scd. Notes	10.75	5/15/19	265,000 <sup>b</sup>	285,314
				<b>1,220,195</b>
<b>Oil &amp; Gas—2.7%</b>				
Amerada Hess, Sr. Unscd. Notes	6.65	8/15/11	450,000	479,186
Anadarko Petroleum, Sr. Unscd. Notes	8.70	3/15/19	295,000	331,020
Chesapeake Energy, Gtd. Notes	7.50	6/15/14	90,000	85,725
Chesapeake Energy, Gtd. Notes	9.50	2/15/15	690,000	698,625
Husky Energy, Sr. Unscd. Notes	7.25	12/15/19	310,000	339,326
Marathon Oil, Sr. Unscd. Notes	7.50	2/15/19	175,000	191,335
Newfield Exploration, Sr. Sub. Notes	7.13	5/15/18	85,000	77,669
Petro-Canada, Sr. Unscd. Notes	6.80	5/15/38	450,000	445,013
Range Resources, Sr. Sub. Notes	8.00	5/15/19	470,000 <sup>a</sup>	464,712
Sempra Energy, Sr. Unscd. Notes	6.50	6/1/16	295,000	308,361
Valero Energy, Sr. Unscd. Notes	9.38	3/15/19	155,000	176,837
				<b>3,597,809</b>
<b>Packaging &amp; Containers—.8%</b>				
Ball, Gtd. Notes	6.63	3/15/18	200,000	183,500
Ball, Gtd. Notes	6.88	12/15/12	120,000	119,700
Crown Americas, Gtd. Notes	7.63	11/15/13	325,000	318,500
Owens Brockway Glass Container, Gtd. Notes	6.75	12/1/14	300,000	288,000
Owens Brockway Glass Container, Gtd. Notes	7.38	5/15/16	205,000 <sup>b</sup>	199,875
				<b>1,109,575</b>

<b>Bonds and Notes (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Paper &amp; Paper Related--.4%</b>				
Georgia-Pacific, Gtd. Notes	7.00	1/15/15	145,000 <sup>b</sup>	136,300
Georgia-Pacific, Gtd. Notes	8.25	5/1/16	345,000 <sup>b</sup>	336,375
				<b>472,675</b>
<b>Pipelines--.9%</b>				
El Paso, Sr. Unscd. Notes	8.25	2/15/16	350,000	342,125
Kinder Morgan Energy Partners, Sr. Unscd. Notes	6.85	2/15/20	470,000	482,660
Trans-Canada Pipelines, Sr. Unscd. Notes	7.63	1/15/39	330,000	386,382
				<b>1,211,167</b>
<b>Property &amp; Casualty Insurance--2.5%</b>				
Jackson National Life Global Funding, Sr. Scd. Notes	5.38	5/8/13	270,000 <sup>b</sup>	260,126
Leucadia National, Sr. Unscd. Notes	7.13	3/15/17	305,000	249,337
Lincoln National, Sr. Unscd. Notes	0.72	3/12/10	425,000 <sup>c</sup>	414,809
Lincoln National, Jr. Sub. Cap. Secs.	6.05	4/20/67	1,050,000 <sup>c</sup>	677,250
MetLife, Sr. Unscd. Notes	5.00	6/15/15	1,050,000	1,001,656
Nippon Life Insurance, Notes	4.88	8/9/10	475,000 <sup>b</sup>	468,545
Prudential Financial, Sr. Unscd. Notes	6.63	12/1/37	95,000	82,549
Willis North America, Gtd. Notes	6.20	3/28/17	155,000	137,468
				<b>3,291,740</b>
<b>Real Estate Investment Trusts--3.8%</b>				
Arden Realty, Sr. Unscd. Notes	5.25	3/1/15	350,000	331,944
Boston Properties, Sr. Unscd. Notes	5.00	6/1/15	470,000	423,354

## STATEMENT OF INVESTMENTS (Unaudited) (continued)

<b>Bonds and Notes (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Real Estate Investment Trusts (continued)</b>				
Commercial Net Lease Realty, Sr. Unscd. Notes	6.15	12/15/15	210,000	176,659
Duke Realty, Sr. Unscd. Notes	5.88	8/15/12	450,000	408,785
Federal Realty Investment Trust, Sr. Unscd. Bonds	5.65	6/1/16	325,000	285,071
Federal Realty Investment Trust, Sr. Unscd. Notes	6.00	7/15/12	100,000	97,434
Healthcare Realty Trust, Sr. Unscd. Notes	5.13	4/1/14	475,000	419,066
HRPT Properties Trust, Sr. Unscd. Notes	1.22	3/16/11	238,000 <sup>c</sup>	207,369
Liberty Property, Sr. Unscd. Notes	5.50	12/15/16	100,000	81,397
Mack-Cali Realty, Sr. Unscd. Notes	5.05	4/15/10	225,000	224,181
Mack-Cali Realty, Sr. Unscd. Notes	5.25	1/15/12	400,000	363,697
Mack-Cali Realty, Sr. Unscd. Notes	5.80	1/15/16	400,000 <sup>a</sup>	347,318
Prologis, Sr. Unscd. Notes	6.63	5/15/18	435,000	343,054
Regency Centers, Gtd. Notes	5.25	8/1/15	66,000	53,645
Regency Centers, Gtd. Notes	5.88	6/15/17	120,000	97,361
Simon Property Group, Sr. Unscd. Notes	5.00	3/1/12	354,000	353,105
Simon Property Group, Sr. Unscd. Notes	5.75	5/1/12	150,000	152,503
WEA Finance, Sr. Notes	7.13	4/15/18	435,000 <sup>b</sup>	404,376
WEA Finance, Gtd. Notes	7.50	6/2/14	230,000 <sup>b</sup>	228,282
				<b>4,998,601</b>

<b>Bonds and Notes (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>Residential Mortgage</b>				
<b>Pass-Through Ctfs.-1.0%</b>				
ChaseFlex Trust, Ser. 2006-2, Cl. A1 A	5.59	9/25/36	26,036 <sup>c</sup>	25,121
Citigroup Mortgage Loan Trust, Ser. 2005-HE1, Cl. M1	0.74	5/25/35	207,273 <sup>c</sup>	201,501
Citigroup Mortgage Loan Trust, Ser. 2005-WF2, Cl. AF7	5.25	8/25/35	906,724 <sup>c</sup>	521,522
Impac Secured Assets CMN Owner Trust, Ser. 2006-1, Cl. 2A1	0.66	5/25/36	235,298 <sup>c</sup>	160,238
Merrill Lynch/Countrywide Commercial Mortgage, Ser. 2006-2, Cl. A4	6.10	6/12/46	530,000 <sup>c</sup>	437,001
				<b>1,345,383</b>
<b>Retail-.4%</b>				
Home Depot, Sr. Unscd. Notes	5.88	12/16/36	237,000	209,761
Staples, Sr. Unscd. Notes	9.75	1/15/14	280,000 <sup>a</sup>	313,029
				<b>522,790</b>
<b>State/Territory</b>				
<b>Gen Oblg-2.7%</b>				
California GO (Various Purpose)	7.50	4/1/34	225,000	207,488
California GO (Various Purpose)	7.55	4/1/39	965,000	879,501
Delaware Housing Authority, SFMR D-2, Revenue Bonds	5.80	7/1/16	340,000	351,696
Erie Tobacco Asset Securitization Corporation, Tobacco Settlement Asset-Backed Bonds	6.00	6/1/28	400,000	304,016
Michigan Tobacco Settlement Finance Authority, Tobacco Settlement Asset-Backed Bonds	7.31	6/1/34	1,365,000	911,247
Tobacco Settlement Authority of Iowa, Tobacco Settlement Asset-Backed Bonds	6.50	6/1/23	600,000	449,580

## STATEMENT OF INVESTMENTS (Unaudited) (continued)

<b>Bonds and Notes (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>State/Territory</b>				
<b>Gen Oblg (continued)</b>				
Tobacco Settlement Finance Authority of West Virginia, Tobacco Settlement Asset-Backed Bonds	7.47	6/1/47	710,000	477,049
				<b>3,580,577</b>
<b>Steel-.3%</b>				
Arcelormittal, Sr. Scd. Notes	9.85	6/1/19	310,000	<b>335,092</b>
<b>Telecommunications-2.4%</b>				
AT & T, Sr. Unscd. Notes	5.60	5/15/18	355,000	357,535
AT & T, Gtd. Notes	7.30	11/15/11	285,000 <sup>a,c</sup>	312,714
CC Holdings GS V, Sr. Scd. Notes	7.75	5/1/17	625,000 <sup>b</sup>	612,500
Cisco Systems, Notes	5.90	2/15/39	350,000	345,871
KPN, Sr. Unscd. Notes	8.00	10/1/10	115,000	120,703
Telecom Italia Capital, Gtd. Notes	5.25	10/1/15	240,000	231,984
Telecom Italia Capital, Gtd. Notes	7.72	6/4/38	180,000	183,837
Verizon Communications, Sr. Unscd. Notes	7.35	4/1/39	250,000	273,278
Verizon Wireless Capital, Sr. Unscd. Notes	5.55	2/1/14	645,000 <sup>b</sup>	685,441
				<b>3,123,863</b>
<b>Textiles &amp; Apparel-.3%</b>				
Mohawk Industries, Sr. Unscd. Notes	6.25	1/15/11	400,000 <sup>c</sup>	<b>389,070</b>
<b>Transportation-.1%</b>				
Norfolk Southern, Sr. Unscd. Notes	5.75	4/1/18	85,000	<b>87,057</b>

<b>Bonds and Notes (continued)</b>	Principal Amount (\$)	Value (\$)
<b>U.S. Government Agencies/ Mortgage-Backed-42.1%</b>		
Federal Home Loan Mortgage Corp.:		
4.00%	1,995,000 e,f	1,929,851
4.50%	6,490,000 e,f	6,461,606
5.00%	420,000 e,f	434,241
5.50%	3,250,000 e,f	3,355,118
3.50%, 9/1/10	107,213 f	107,912
5.00%, 12/1/35-6/1/37	2,633,289 f	2,689,143
Multiclass Mortgage Participation Cfts., Ser. 2586, Cl. WE, 4.00%, 12/15/32	466,649 f,g	461,768
Multiclass Mortgage Participation Cfts. (Interest Only), Ser. 2764, Cl. IT, 5.00%, 6/15/27	5,699,715 f,g	246,791
Federal National Mortgage Association:		
4.00%	4,675,000 e,f	4,534,020
4.50%	3,980,000 e,f	3,972,538
5.00%	7,075,000 e,f	7,220,570
4.00%, 5/1/10	435,009 f	438,955
Bonds, Ser. 1 4.75%, 11/19/12	641,000 f	697,673
5.00%, 11/1/20-2/1/39	4,788,971 f	4,961,527
Notes, 5.25%, 9/15/16	470,000 f	518,846
5.50%, 9/1/34-6/1/38	3,147,433 f	3,254,816
6.00%, 9/1/22-5/1/39	7,476,236 f	7,864,622
7.00%, 6/1/29-9/1/29	76,810 f	84,359
Government National Mortgage Association I:		
5.50%, 4/15/33-3/15/34	2,179,929	2,264,975
Ser. 2007-46, Cl. A, 3.14%, 11/16/29	375,672	377,792
Ser. 2005-90, Cl. A, 3.76%, 9/16/28	617,089	628,924
Ser. 2005-29, Cl. A, 4.02%, 7/16/27	422,338	432,075
Ser. 2006-3, Cl. A, 4.21%, 1/16/28	699,195	715,232
Ser. 2006-55, Cl. A, 4.25%, 7/16/29	782,941	804,077
Ser. 2005-87, Cl. A, 4.45%, 3/16/25	393,451	402,449
Ser. 2004-39, Cl. LC, 5.50%, 12/20/29	692,983	705,013
Government National Mortgage Association II		
7.00%, 9/20/28-7/20/29	13,830	15,047
		<b>55,579,940</b>

## STATEMENT OF INVESTMENTS (Unaudited) (continued)

<b>Bonds and Notes (continued)</b>	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
<b>U.S. Government Securities—5.6%</b>				
U.S. Treasury Bonds; 4.25%, 5/15/39			2,046,000	2,025,853
U.S. Treasury Notes:				
2.50%, 3/31/13			245,000 <sup>a</sup>	249,517
4.75%, 8/15/17			540,000	592,144
4.88%, 4/30/11			1,972,000 <sup>a</sup>	2,108,809
4.88%, 5/31/11			1,350,000 <sup>a</sup>	1,447,454
U.S. Treasury Strip; 0.00%, 2/15/36			3,115,000	979,331
				<b>7,403,108</b>
<b>Waste Management—1.1%</b>				
Allied Waste North America, Sr. Unscd. Notes	7.25	3/15/15	165,000	<b>167,669</b>
<b>Total Bonds and Notes</b> (cost \$153,029,843)				<b>149,262,552</b>
<b>Short-Term Investments—6.2%</b>				
<b>U.S. Treasury Bills:</b>				
0.08%, 7/9/09			7,000,000	6,999,881
0.08%, 8/6/09			600,000	599,919
0.16%, 7/16/09			535,000 <sup>h</sup>	534,979
<b>Total Short-Term Investments</b> (cost \$8,134,799)				<b>8,134,779</b>
<b>Other Investment—1.2%</b>			Shares	Value (\$)
<b>Registered Investment Company;</b>				
Dreyfus Institutional Preferred Plus Money Market Fund (cost \$1,507,000)			1,507,000 <sup>i</sup>	<b>1,507,000</b>

<b>Investment of Cash Collateral for Securities Loaned—5.6%</b>	Shares	Value (\$)
<b>Registered Investment Company;</b>		
Dreyfus Institutional Cash Advantage Fund (cost \$7,453,781)	7,453,781 <sup>i</sup>	<b>7,453,781</b>
<b>Total Investments</b> (cost \$170,125,423)	<b>126.0%</b>	<b>166,358,112</b>
<b>Liabilities, Less Cash and Receivables</b>	<b>(26.0%)</b>	<b>(34,305,545)</b>
<b>Net Assets</b>	<b>100.0%</b>	<b>132,052,567</b>

- <sup>a</sup> All or a portion of these securities are on loan. At June 30, 2009, the total market value of the portfolio's securities on loan is \$7,093,377 and the total market value of the collateral held by the portfolio is \$7,453,781.
- <sup>b</sup> Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2009, these securities amounted to \$14,976,704 or 11.3% of net assets.
- <sup>c</sup> Variable rate security—interest rate subject to periodic change.
- <sup>d</sup> Principal amount stated in U.S. Dollars unless otherwise noted.  
EUR—Euro
- <sup>e</sup> Purchased on a forward commitment basis.
- <sup>f</sup> On September 7, 2008, the Federal Housing Finance Agency (FHFA) placed Federal National Mortgage Association and Federal Home Loan Mortgage Corporation into conservatorship with FHFA as the conservator. As such, the FHFA will oversee the continuing affairs of these companies.
- <sup>g</sup> Notional face amount shown.
- <sup>h</sup> All or partially held by a broker as collateral for open financial futures positions.
- <sup>i</sup> Investment in affiliated money market mutual fund.

### Portfolio Summary (Unaudited)<sup>†</sup>

	Value (%)		Value (%)
U.S. Government & Agencies	47.7	State/Government General Obligations	2.7
Corporate Bonds	45.4	Foreign/Governmental	1.1
Asset/Mortgage-Backed	16.1		
Short-Term/Money Market Investments	13.0		<b>126.0</b>

<sup>†</sup> Based on net assets.  
See notes to financial statements.

# STATEMENT OF FINANCIAL FUTURES

June 30, 2009 (Unaudited)

	Contracts	Market Value Covered by Contracts (\$)	Expiration	Unrealized Appreciation (Depreciation) at 6/30/2009 (\$)
<b>Financial Futures Long</b>				
U.S. Treasury 2 year Notes	15	3,243,281	September 2009	19,453
U.S. Treasury 5 year Notes	138	15,831,188	September 2009	248,367
U.S. Treasury Bonds	7	828,516	September 2009	(4,266)
<b>Financial Futures Short</b>				
U.S. Treasury 10 year Notes	205	(23,834,453)	September 2009	(388,226)
<b>Gross Unrealized Appreciation</b>				<b>267,820</b>
<b>Gross Unrealized Depreciation</b>				<b>(392,492)</b>

*See notes to financial statements.*

# STATEMENT OF OPTIONS WRITTEN

June 30, 2009 (Unaudited)

	Contracts	Face Amount Covered by Contracts (\$)		Value (\$)
<b>Call Options:</b>				
2-Year USD LIBOR-BBA, July 2009 @ 1.24	63,930	6,393,000	<sup>a</sup>	(2,235)
5-Year USD LIBOR-BBA, July 2009 @ 3.515	26,020	2,602,000	<sup>a</sup>	(67,564)
10-Year USD LIBOR-BBA, July 2009 @ 3.715	26,450	2,645,000	<sup>a</sup>	(47,825)
Federal National Mortgage Corp., July 2009 @ 100.312	38,260	3,826,000	<sup>a,b</sup>	(7,648)
Federal National Mortgage Corp., August 2009 @ 100	26,320	2,632,000	<sup>a,b</sup>	(24,693)
U.S. Treasury 10 Year Notes, July 2009 @ 117.5	11,000	1,100,000	<sup>a</sup>	(7,563)
<b>Put Options:</b>				
2-Year USD LIBOR-BBA, July 2009 @ 1.54	63,930	6,393,000	<sup>a</sup>	(19,748)
5-Year USD LIBOR-BBA, July 2009 @ 3.515	26,020	2,602,000	<sup>a</sup>	(681)
10-Year USD LIBOR-BBA, July 2009 @ 3.715	26,450	2,645,000	<sup>a</sup>	(64,444)
Federal National Mortgage Corp., July 2009 @ 101.312	26,320	2,632,000	<sup>a,b</sup>	(71,011)
Federal National Mortgage Corp., August 2009 @ 100	38,260	3,826,000	<sup>a,b</sup>	(43,604)
U.S. Treasury 10 Year Notes, July 2009 @ 113	11,000	1,100,000	<sup>a</sup>	(3,266)
(Premiums received \$337,409)				<b>(360,282)</b>

*BBA—British Bankers Association*

*LIBOR—London Interbank Offered Rate*

*USD—US Dollar*

<sup>a</sup> *Non-income producing security.*

<sup>b</sup> *On September 7, 2008, the Federal Housing Finance Agency (FHFA) placed Federal National Mortgage Association and Federal Home Loan Mortgage Corporation into conservatorship with FHFA as the conservator. As such, the FHFA will oversee the continuing affairs of these companies.*

*See notes to financial statements.*

# STATEMENT OF ASSETS AND LIABILITIES

June 30, 2009 (Unaudited)

	Cost	Value
<b>Assets (\$):</b>		
Investments in securities—See Statement of Investments (including securities on loan, valued at 7,093,377)—Note 1(c):		
Unaffiliated issuers	161,164,642	157,397,331
Affiliated issuers	8,960,781	8,960,781
Cash		349,157
Receivable for investment securities sold		1,558,571
Dividends and interest receivable		1,334,904
Receivable for shares of Beneficial Interest subscribed		19,391
Receivable for futures variation margin—Note 4		14,984
Unrealized appreciation on forward foreign currency exchange contracts—Note 4		4,543
Prepaid expenses		2,312
		<b>169,641,974</b>
<b>Liabilities (\$):</b>		
Due to The Dreyfus Corporation and affiliates—Note 3(b)		95,499
Payable for investment securities purchased		29,440,904
Liability for securities on loan—Note 1(c)		7,453,781
Outstanding options written, at value (premiums received \$337,409)—see Statement of Options Written—Note 4		360,282
Payable for shares of Beneficial Interest redeemed		105,749
Other liabilities		86,264
Unrealized depreciation on forward foreign currency exchange contracts—Note 4		19,698
Accrued expenses		27,230
		<b>37,589,407</b>
<b>Net Assets (\$)</b>		<b>132,052,567</b>
<b>Composition of Net Assets (\$):</b>		
Paid-in capital		150,469,767
Accumulated undistributed investment income—net		2,651,601
Accumulated net realized gain (loss) on investments		(17,139,282)
Accumulated net unrealized appreciation (depreciation) on investments, options, swap transactions and foreign currency transactions [including (\$124,672) net unrealized (depreciation) on financial futures]		(3,929,519)
<b>Net Assets (\$)</b>		<b>132,052,567</b>

## Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets (\$)	100,731,055	31,321,512
Shares Outstanding	9,662,741	3,015,743
<b>Net Asset Value Per Share (\$)</b>	<b>10.42</b>	<b>10.39</b>

See notes to financial statements.

# STATEMENT OF OPERATIONS

Six Months Ended June 30, 2009 (Unaudited)

## Investment Income (\$):

### Income:

Interest	3,497,154
Dividends;	
Affiliated issuers	4,311
Income from securities lending	25,969

**Total Income** **3,527,434**

### Expenses:

Investment advisory fee—Note 3(a)	412,249
Distribution fees—Note 3(b)	38,614
Professional fees	20,674
Custodian fees—Note 3(b)	15,664
Trustees' fees and expenses—Note 3(c)	7,862
Prospectus and shareholders' reports	7,409
Shareholder servicing costs—Note 3(b)	2,851
Registration fees	386
Loan commitment fees—Note 2	247
Miscellaneous	33,317

**Total Expenses** **539,273**

Less—reduction in fees due to earnings credits—Note 1(c)	(40)
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**Net Expenses** **539,233**

**Investment Income—Net** **2,988,201**

## Realized and Unrealized Gain (Loss) on Investments—Note 4 (\$):

Net realized gain (loss) on investments	(4,693,814)
Net realized gain (loss) on options transactions	234,161
Net realized gain (loss) on financial futures	535,370
Net realized gain (loss) on swap transactions	71,268
Net realized gain (loss) on forward foreign currency exchange contracts	37,558

**Net Realized Gain (Loss)** **(3,815,457)**

Net unrealized appreciation (depreciation) on investments, options transactions, financial futures, swap transactions and foreign currency transactions [including (\$14,476) net unrealized (depreciation) on options transactions, (\$518,719) net unrealized (depreciation) on financial futures, (\$75,672) net unrealized (depreciation) on swap transactions and \$108,794 net unrealized appreciation on forward foreign currency exchange contracts]	7,748,360
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**Net Realized and Unrealized Gain (Loss) on Investments** **3,932,903**

**Net Increase in Net Assets Resulting from Operations** **6,921,104**

See notes to financial statements.

# STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2009 (Unaudited)	Year Ended December 31, 2008
<b>Operations (\$):</b>		
Investment income—net	2,988,201	7,490,855
Net realized gain (loss) on investments	(3,815,457)	(5,200,163)
Net unrealized appreciation (depreciation) on investments	7,748,360	(9,604,838)
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>6,921,104</b>	<b>(7,314,146)</b>
<b>Dividends to Shareholders from (\$):</b>		
Investment income—net:		
Initial Shares	(2,338,715)	(5,919,879)
Service Shares	(718,704)	(1,871,739)
<b>Total Dividends</b>	<b>(3,057,419)</b>	<b>(7,791,618)</b>
<b>Beneficial Interest Transactions (\$):</b>		
Net proceeds from shares sold:		
Initial Shares	7,968,863	25,752,879
Service Shares	1,215,138	3,256,252
Dividends reinvested:		
Initial Shares	2,338,715	5,919,879
Service Shares	718,704	1,871,739
Cost of shares redeemed:		
Initial Shares	(12,923,386)	(40,317,390)
Service Shares	(4,630,251)	(12,357,851)
<b>Increase (Decrease) in Net Assets from Beneficial Interest Transactions</b>	<b>(5,312,217)</b>	<b>(15,874,792)</b>
<b>Total Increase (Decrease) in Net Assets</b>	<b>(1,448,532)</b>	<b>(30,980,556)</b>
<b>Net Assets (\$):</b>		
Beginning of Period	133,501,099	164,481,655
<b>End of Period</b>	<b>132,052,567</b>	<b>133,501,099</b>
Undistributed investment income—net	2,651,601	2,720,819

	Six Months Ended June 30, 2009 (Unaudited)	Year Ended December 31, 2008
<b>Capital Share Transactions:</b>		
<b>Initial Shares</b>		
Shares sold	787,925	2,357,886
Shares issued for dividends reinvested	233,650	555,105
Shares redeemed	(1,290,813)	(3,851,873)
<b>Net Increase (Decrease) in Shares Outstanding</b>	<b>(269,238)</b>	<b>(938,882)</b>
<b>Service Shares</b>		
Shares sold	120,939	303,256
Shares issued for dividends reinvested	72,039	175,960
Shares redeemed	(464,094)	(1,181,461)
<b>Net Increase (Decrease) in Shares Outstanding</b>	<b>(271,116)</b>	<b>(702,245)</b>

*See notes to financial statements.*

## FINANCIAL HIGHLIGHTS

The following tables describe the performance for each share class for the fiscal periods indicated. All information (except portfolio turnover rate) reflects financial results for a single portfolio share. Total return shows how much your investment in the portfolio would have increased (or decreased) during each period, assuming you had reinvested all dividends and distributions. The portfolio's total returns do not reflect expenses associated with variable annuity or insurance contracts. These figures have been derived from the portfolio's financial statements.

Initial Shares	Six Months Ended	Year Ended December 31,				
	June 30, 2009 (Unaudited)	2008	2007	2006	2005	2004
<b>Per Share Data (\$):</b>						
Net asset value, beginning of period	10.11	11.08	11.25	11.29	11.42	11.50
Investment Operations:						
Investment income—net <sup>a</sup>	.24	.51	.53	.49	.39	.37
Net realized and unrealized gain (loss) on investments	.31	(.96)	(.16)	(.02)	(.11)	.01
Total from Investment Operations	.55	(.45)	.37	.47	.28	.38
Distributions:						
Dividends from investment income—net	(.24)	(.52)	(.54)	(.51)	(.41)	(.46)
Net asset value, end of period	10.42	10.11	11.08	11.25	11.29	11.42
<b>Total Return (%)</b>	5.59 <sup>b</sup>	(4.18)	3.54	4.23	2.48	3.37
<b>Ratios/Supplemental Data (%):</b>						
Ratio of total expenses to average net assets	.77 <sup>c</sup>	.76	.77	.75	.75	.74
Ratio of net expenses to average net assets	.77 <sup>c,d</sup>	.76 <sup>d</sup>	.72	.63	.60	.74
Ratio of net investment income to average net assets	4.63 <sup>c</sup>	4.71	4.78	4.43	3.45	3.30
Portfolio Turnover Rate <sup>e</sup>	162.36 <sup>b</sup>	391.87	446.13	507.83	504.21	819.75
Net Assets, end of period (\$ x 1,000)	100,731	100,396	120,446	145,490	158,999	171,424

<sup>a</sup> Based on average shares outstanding at each month end.

<sup>b</sup> Not annualized.

<sup>c</sup> Annualized.

<sup>d</sup> Expense waivers and/or reimbursements amounted to less than .01%.

<sup>e</sup> The portfolio turnover rates excluding mortgage dollar roll transactions for the periods ended June 30, 2009, December 31, 2008, 2007, 2006, 2005, 2004 were 63.59%, 142.10%, 219.54%, 262.26%, 393.37% and 761.92%, respectively.

See notes to financial statements.

<b>Service Shares</b>	Six Months Ended	Year Ended December 31,				
	June 30, 2009 (Unaudited)	2008	2007	2006	2005	2004
<b>Per Share Data (\$):</b>						
Net asset value, beginning of period	10.07	11.04	11.21	11.25	11.38	11.48
Investment Operations:						
Investment income—net <sup>a</sup>	.22	.48	.51	.46	.36	.35
Net realized and unrealized gain (loss) on investments	.33	(.96)	(.17)	(.02)	(.11)	(.01)
Total from Investment Operations	.55	(.48)	.34	.44	.25	.34
Distributions:						
Dividends from investment income—net	(.23)	(.49)	(.51)	(.48)	(.38)	(.44)
Net asset value, end of period	10.39	10.07	11.04	11.21	11.25	11.38
<b>Total Return (%)</b>	5.49 <sup>b</sup>	(4.46)	3.31	3.90	2.26	3.05
<b>Ratios/Supplemental Data (%):</b>						
Ratio of total expenses to average net assets	1.01 <sup>c</sup>	1.01	1.02	1.00	.99	.99
Ratio of net expenses to average net assets	1.01 <sup>c,d</sup>	1.01 <sup>d</sup>	.97	.88	.84	.99
Ratio of net investment income to average net assets	4.53 <sup>c</sup>	4.46	4.51	4.17	3.21	3.06
Portfolio Turnover Rate <sup>e</sup>	162.36 <sup>b</sup>	391.87	446.13	507.83	504.21	819.75
Net Assets, end of period (\$ x 1,000)	31,322	33,105	44,035	41,363	47,757	55,585

<sup>a</sup> Based on average shares outstanding at each month end.

<sup>b</sup> Not annualized.

<sup>c</sup> Annualized.

<sup>d</sup> Expense waivers and/or reimbursements amounted to less than .01%.

<sup>e</sup> The portfolio turnover rates excluding mortgage dollar roll transactions for the periods ended June 30, 2009, December 31, 2008, 2007, 2006, 2005, 2004 were 63.59%, 142.10%, 219.54%, 262.26%, 393.37% and 761.92%, respectively.

See notes to financial statements.

**NOTE 1—Significant Accounting Policies:**

Dreyfus Variable Investment Fund (the “fund”) is registered under the Investment Company Act of 1940, as amended (the “Act”), as an open end management investment company, operating as a series company currently offering seven series, including the Quality Bond Portfolio (the “portfolio”). The portfolio is only offered to separate accounts established by insurance companies to fund variable annuity contracts and variable life insurance policies. The portfolio is a diversified series. The portfolio’s investment objective is to maximize total return, consisting of capital appreciation and current income. The Dreyfus Corporation (the “Manager” or “Dreyfus”), a wholly-owned subsidiary of The Bank of New York Mellon Corporation (“BNY Mellon”), serves as the portfolio’s investment adviser.

MBSC Securities Corporation (the “Distributor”), a wholly-owned subsidiary of the Manager, is the distributor of the portfolio’s shares, which are sold without a sales charge. The portfolio is authorized to issue an unlimited number of \$.001 par value shares of Beneficial Interest in each of the following classes of shares: Initial and Service. Each class of shares has identical rights and privileges, except with respect to the distribution plan and the expenses borne by each class, the allocation of certain transfer agency costs and certain voting rights. Income, expenses (other than expenses attributable to a specific class), and realized and unrealized gains or losses on investments are allocated to each class of shares based on its relative net assets.

The fund accounts separately for the assets, liabilities and operations of each series. Expenses directly attributable to each series are charged to that series’ operations, expenses which are applicable to all series are allocated among them on a pro rata basis.

The portfolio’s financial statements are prepared in accordance with U.S. generally accepted accounting principles, which may require the

use of management estimates and assumptions. Actual results could differ from those estimates.

The fund enters into contracts that contain a variety of indemnifications. The portfolio's maximum exposure under these arrangements is unknown. The portfolio does not anticipate recognizing any loss related to these arrangements.

**(a) Portfolio valuation:** Investments in securities, excluding short-term investments (other than U.S. Treasury Bills), financial futures, options, swap transactions and forward foreign currency exchange contracts ("forward contracts") are valued each business day by an independent pricing service (the "Service") approved by the Board of Trustees. Investments for which quoted bid prices are readily available and are representative of the bid side of the market in the judgment of the Service are valued at the mean between the quoted bid prices (as obtained by the Service from dealers in such securities) and asked prices (as calculated by the Service based upon its evaluation of the market for such securities). Other investments (which constitute a majority of the portfolio's securities) are valued as determined by the Service, based on methods which include consideration of: yields or prices of securities of comparable quality, coupon, maturity and type; indications as to values from dealers; and general market conditions. Restricted securities, as well as securities or other assets for which recent market quotations are not readily available, not valued by a pricing service approved by the Board of Trustees, or determined by the portfolio not to reflect accurately fair value are valued at fair value as determined in good faith under the direction of the Board of Trustees. The factors that may be considered when fair valuing a security include fundamental analytical data, the nature and duration of restrictions on disposition, an evaluation of the forces that influence the market in which the securities are purchased and sold, and public trading in similar securities

of the issuer or comparable issuers. Short-term investments, excluding U.S. Treasury Bills, are carried at amortized cost, which approximates value. Registered investment companies that are not traded on an exchange are valued at their net asset value. Financial futures and options, which are traded on an exchange, are valued at the last sales price on the securities exchange on which such securities are primarily traded or at the last sales price on the national securities market on each business day. Options traded over-the-counter are priced at the mean between the bid prices and asked prices. Investments in swap transactions are valued each business day by an independent pricing service approved by the Board of Trustees. Swaps are valued by the service by using a swap pricing model which incorporates among other factors, default probabilities, recovery rates, credit curves of the underlying issuers and swap spreads on interest rates. Investments denominated in foreign currencies are translated to U.S. dollars at the prevailing rates of exchange. Forward contracts are valued at the forward rate.

The portfolio adopted Statement of Financial Accounting Standards No. 157 “Fair Value Measurements” (“FAS 157”). FAS 157 establishes an authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements.

Various inputs are used in determining the value of the portfolio’s investments relating to FAS 157. These inputs are summarized in the three broad levels listed below.

**Level 1**—quoted prices in active markets for identical investments.

**Level 2**—other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

**Level 3**—significant unobservable inputs (including the portfolio’s own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of June 30, 2009 in valuing the portfolio's investments:

	Level 1– Quoted Prices	Level 2–Other Significant Observable Inputs	Level 3– Significant Unobservable Inputs	Total
<b>Assets (\$)</b>				
Investments in Securities:				
U.S. Treasury Securities	–	15,537,887	–	<b>15,537,887</b>
Asset-Backed	–	6,356,561	–	<b>6,356,561</b>
Corporate Bonds	–	60,051,832	–	<b>60,051,832</b>
Foreign Government	–	1,484,099	–	<b>1,484,099</b>
Municipal Bonds	–	3,580,577	–	<b>3,580,577</b>
U.S. Government Agencies/ Mortgage-Backed	–	55,579,940	–	<b>55,579,940</b>
Residential Mortgage-Backed	–	1,345,383	–	<b>1,345,383</b>
Commercial Mortgage-Backed	–	13,461,051	–	<b>13,461,051</b>
Mutual Funds	8,960,781	–	–	<b>8,960,781</b>
Other Financial Instruments†	267,820	4,543	–	<b>272,363</b>
<b>Liabilities (\$)</b>				
Other Financial Instruments†	(550,277)	(222,195)	–	<b>(772,472)</b>

† Other financial instruments include derivative instruments, such as futures, forward foreign currency exchange contracts, swap contracts and options contracts. Amounts shown represent unrealized appreciation (depreciation), or in the case of options, market value at period end.

**(b) Foreign currency transactions:** The portfolio does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes

in the market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss on investments.

Net realized foreign exchange gains or losses arise from sales and maturities of short-term securities, sales of foreign currencies, currency gains or losses realized on securities transactions and the difference between the amounts of dividends, interest and foreign withholding taxes recorded on the portfolios' books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the value of assets and liabilities other than investments in securities, resulting from changes in exchange rates. Such gains and losses are included with net realized and unrealized gain or loss on investments.

**(c) Securities transactions and investment income:** Securities transactions are recorded on a trade date basis. Realized gains and losses from securities transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income, including, where applicable, accretion of discount and amortization of premium on investments, is recognized on the accrual basis.

The portfolio has arrangements with the custodian and cash management bank whereby the portfolio may receive earnings credits when positive cash balances are maintained, which are used to offset custody and cash management fees. For financial reporting purposes, the portfolio includes net earnings credits as an expense offset in the Statement of Operations.

Pursuant to a securities lending agreement with The Bank of New York Mellon, a subsidiary of BNY Mellon and an affiliate of Dreyfus, the portfolio may lend securities to qualified institutions. It is the portfolio's policy, that at origination, all loans are secured by collateral of at least 102% of the value of U.S. securities loaned and 105% of the value of foreign securities loaned. Collateral equivalent to at least 100% of

the market value of securities on loan will be maintained at all times. Collateral is either in the form of cash, which can be invested in certain money market mutual funds managed by the Manager, U.S. Government and Agency securities or letters of credit. The portfolio will be entitled to receive all income on securities loaned, in addition to income earned as a result of the lending transaction. Although each security loaned is fully collateralized, the portfolio would bear the risk of delay in recovery of, or loss of rights in, the securities loaned should a borrower fail to return the securities in a timely manner. During the period ended June 30, 2009, The Bank of New York Mellon earned \$13,983 from lending fund portfolio securities, pursuant to the securities lending agreement.

**(d) Affiliated issuers:** Investments in other investment companies advised by the Manager are defined as “affiliated” in the Act.

**(e) Dividends to shareholders:** Dividends are recorded on the ex-dividend date. Dividends from investment income-net are declared and paid monthly. Dividends from net realized capital gains, if any, are normally declared and paid annually, but the portfolio may make distributions on a more frequent basis to comply with the distribution requirements of the Internal Revenue Code of 1986, as amended (the “Code”). To the extent that net realized capital gains can be offset by capital loss carryovers, if any, it is the policy of the portfolio not to distribute such gains. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from U.S. generally accepted accounting principles.

On June 30, 2009, the Board of Trustees declared a cash dividend of \$.043 and \$.041 per share for the Initial shares and Service shares, respectively, from undistributed investment income-net payable on July 1, 2009 (ex-dividend date) to shareholders of record as of the close of business on June 30, 2009.

**(f) Federal income taxes:** It is the policy of the portfolio to continue to qualify as a regulated investment company, if such qualification is in the best interests of its shareholders, by complying with the applicable provisions of the Code, and to make distributions of taxable income sufficient to relieve it from substantially all federal income and excise taxes.

As of and during the period ended June 30, 2009, the portfolio did not have any liabilities for any uncertain tax positions. The portfolio recognizes interest and penalties, if any, related to uncertain tax positions as income tax expense in the Statement of Operations. During the period, the portfolio did not incur any interest or penalties.

Each of the tax years in the three-year period ended December 31, 2008 remains subject to examination by the Internal Revenue Service and state taxing authorities.

The portfolio has an unused capital loss carryover of \$11,094,953 available for federal income tax purposes to be applied against future net securities profits, if any, realized subsequent to December 31, 2008. If not applied, \$3,171,594 of the carryover expires in fiscal 2012, \$61,980 expires in fiscal 2013, \$1,624,385 expires in fiscal 2014, \$1,707,613 expires in fiscal 2015 and \$4,529,381 expires in fiscal 2016.

The tax character of distributions paid to shareholders during the fiscal year ended December 31, 2008 was as follows: ordinary income \$7,791,618. The tax character of current year distributions will be determined at the end of the current fiscal year.

**NOTE 2—Bank Line of Credit:**

The portfolio participates with other Dreyfus-managed funds in a \$300 million unsecured line of credit provided by The Bank of New York Mellon (the “BNYM Facility”) primarily to be utilized for temporary or emergency purposes, including the financing of redemptions. The terms BNYM Facility limits the amount of individual fund borrow-

ings. Interest is charged to the portfolio based on prevailing market rates in effect at the time of borrowing. In connection therewith, the portfolio has agreed to pay commitment fees on its pro rata portion of the BNYM Facility. During the period ended June 30, 2009, the portfolio did not borrow under the BNYM Facility.

**NOTE 3—Investment Advisory Fee and Other Transactions With Affiliates:**

(a) Pursuant to an Investment Advisory Agreement with the Manager, the investment advisory fee is computed at the annual rate of .65% of the value of the portfolio's average daily net assets and is payable monthly.

(b) Under the Distribution Plan (the "Plan") adopted pursuant to Rule 12b-1 under the Act, Service shares pay the Distributor for distributing their shares, for servicing and/or maintaining Service shares shareholder accounts and for advertising and marketing for Service shares. The Plan provides for payments to be made at an annual rate of .25% of the value of the Service shares' average daily net assets. The Distributor may make payments to participating insurance companies and to brokers and dealers acting as principal underwriter for their variable insurance products. The fees payable under the Plan are payable without regard to actual expenses incurred. During the period ended June 30, 2009, Service shares were charged \$38,614 pursuant to the Plan.

The portfolio compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of the Manager, under a transfer agency agreement for providing personnel and facilities to perform transfer agency services for the portfolio. During the period ended June 30, 2009, the portfolio was charged \$325 pursuant to the transfer agency agreement.

The portfolio compensates The Bank of New York Mellon under a cash management agreement for performing cash management services related to portfolio subscriptions and redemptions. During the

period ended June 30, 2009, the portfolio was charged \$40 pursuant to the cash management agreement. These fees were offset by earnings credits pursuant to the cash management agreement.

The portfolio also compensates The Bank of New York Mellon under a custody agreement to provide custodial services for the portfolio. During the period ended June 30, 2009, the portfolio was charged \$15,664 pursuant to the custody agreement.

During the period ended June 30, 2009, the portfolio was charged \$3,341 for services performed by the Chief Compliance Officer.

The components of “Due to The Dreyfus Corporation and affiliates” in the Statement of Assets and Liabilities consist of: investment advisory fees \$69,792, Rule 12b-1 distribution plan fees \$6,367, custodian fees \$17,586, chief compliance officer fees \$1,670 and transfer agency per account fees \$84.

(c) Each Board member also serves as a Board member of other funds within the Dreyfus complex. Annual retainer fees and attendance fees are allocated to each fund based on net assets.

**NOTE 4—Securities Transactions:**

The aggregate amount of purchases and sales (including paydowns) of investment securities, excluding short-term securities, financial futures, forward contracts, options transactions and swap transactions, during the period ended June 30, 2009, amounted to \$244,582,145 and \$259,430,326, respectively, of which \$148,791,566 in purchases and \$149,251,521 in sales were from mortgage dollar roll transactions.

The fund adopted Statement of Financial Accounting Standards No. 161 “Disclosures about Derivative Instruments and Hedging Activities” (“FAS 161”). FAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative

agreements. The following tables show the fund's exposure to different types of market risk as it relates to the Statement of Assets and Liabilities and the Statement of Operations, respectively. All changes to accounting policies and disclosures have been made in accordance with FAS 161 and are incorporated for the current period as part of the disclosures within this Note.

Fair value of derivative instruments as of June 30, 2009:

Derivatives	Statement of Assets and Liabilities Location	Derivative Assets (\$)	Statement of Assets and Liabilities Location	Derivative Liabilities (\$)
Interest rate contracts	Receivables, Net Assets—Unrealized appreciation	267,820 <sup>†</sup>	Payables, Net Assets—Unrealized depreciation	(752,774) <sup>††</sup>
Foreign exchange contracts	Receivables	4,543	Payables	(19,698)
<b>Gross fair value of derivatives contracts</b>		<b>272,363</b>		<b>(772,472)</b>

<sup>†</sup> Includes cumulative appreciation/depreciation of futures contracts as reported on the Statement of Financial Futures, but only the unpaid variation margin is reported within the Statement of Assets and Liabilities.

<sup>††</sup> Amount shown for options is value (\$).

The effect of derivative instruments in the Statement of Operations during the period ended June 30, 2009 is shown below:

Amount of realized gain or (loss) on derivatives (\$)

Derivatives	Options <sup>†</sup>	Futures	Foreign Currency Contracts	Swaps	Total
Interest rate contracts	234,161	535,370	-	-	<b>769,531</b>
Foreign exchange contracts	-	-	37,558	-	<b>37,558</b>
Credit contracts	-	-	-	71,268	<b>71,268</b>
<b>Total</b>	<b>234,161</b>	<b>535,370</b>	<b>37,558</b>	<b>71,268</b>	<b>878,357</b>

Change in unrealized appreciation or (depreciation) on derivatives (\$)

Derivatives	Options <sup>†</sup>	Futures	Foreign Currency Contracts	Swaps	Total
Interest rate contracts	(14,476)	(518,719)	-	-	<b>(533,195)</b>
Foreign exchange contracts	-	-	108,794	-	<b>108,794</b>
Credit contracts	-	-	-	(75,672)	<b>(75,672)</b>
<b>Total</b>	<b>(14,476)</b>	<b>(518,719)</b>	<b>108,794</b>	<b>(75,672)</b>	<b>(500,073)</b>

<sup>†</sup> Amount shown for options is change in value (\$).

During the period ended June 30, 2009, the average notional value of interest rate contracts was \$23,489,312 which represented 18.4% of average net assets. The average notional value of foreign exchange contracts was \$3,100,048, which represented 2.4% of average net assets. The average notional value of credit contracts was \$280,000, which represented .2% of average net assets.

**Mortgage Dollar Rolls:** A mortgage dollar roll transaction involves a sale by the portfolio of mortgage related securities that it holds with an agreement by the portfolio to repurchase similar securities at an agreed upon price and date. The securities purchased will bear the same interest rate as those sold, but generally will be collateralized by pools of mortgages with different prepayment histories than those securities sold.

**Futures Contracts:** In the normal course of pursuing its investment objectives, the portfolio is exposed to market risk (including equity price risk, interest rate risk and foreign currency exchange risk) as a result of changes in value of underlying financial instruments. The portfolio may invest in financial futures contracts in order to manage its exposure to or protect against changes in the market. A futures contract represents a commitment for the future purchase or a sale of an asset at a specified date. Upon entering into such contracts, these investments require initial margin deposits with a broker, which consist of cash or cash equivalents. Accordingly, variation margin payments are received

or made to reflect daily unrealized gains or losses which are recorded in the Statement of Operations. Futures contracts are valued daily at the settlement price established by the Board of Trade or exchange upon which they are traded. The amount of these deposits is determined by the exchange or Board of Trade on which the contract is traded and is subject to change. When the contracts are closed, the portfolio recognizes a realized gain or loss. There is minimal counterparty credit risk to the portfolio with futures since futures are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees the futures against default. Contracts open at June 30, 2009, are set forth in the Statement of Financial Futures.

**Options:** A call option gives the purchaser of the option the right (but not the obligation) to buy, and obligates the writer to sell, the underlying security or securities at the exercise price at any time during the option period, or at a specified date. Conversely, a put option gives the purchaser of the option the right (but not the obligation) to sell, and obligates the writer to buy the underlying security or securities at the exercise price at any time during the option period, or at a specified date. The portfolio may purchase and write (sell) put and call options primarily to hedge against changes in security prices, or securities that the portfolio intends to purchase, or against fluctuations in value caused by changes in prevailing market interest rates or other market conditions.

As a writer of call options, the portfolio receives a premium at the outset and then bears the market risk of unfavorable changes in the price of the financial instrument underlying the option. Generally, the portfolio would incur a gain, to the extent of the premium, if the price of the underlying financial instrument decreases between the date the option is written and the date on which the option is terminated. Generally, the portfolio would realize a loss, if the price of the financial instrument increases between those dates.

As a writer of put options, the portfolio receives a premium at the outset and then bears the market risk of unfavorable changes in the price of the financial instrument underlying the option. Generally, the portfolio would incur a gain, to the extent of the premium, if the price of the underlying financial instrument increases between the date the option is written and the date on which the option is terminated. Generally, the portfolio would realize a loss, if the price of the financial instrument decreases between those dates. As a writer of an option, the portfolio may have no control over whether the underlying securities may be sold (call) or purchased (put) and as a result bear the market risk of an unfavorable change in the price of the security underlying the written option. One risk of holding a put or a call option is that if the option is not sold or exercised prior to its expiration, it becomes worthless. However, this risk is limited to the premium paid by the portfolio. Upon the expiration or closing of the option transaction, a gain or loss is reported in the Statement of Operations.

The following summarizes the fund's call/put options written for the period ended June 30, 2009:

Options Written:	Face Amount Covered by Contracts (\$)	Premiums Received (\$)	Options Terminated	
			Cost (\$)	Net Realized Gain (Loss) (\$)
Contracts outstanding December 31, 2008	6,600,000	95,447		
Contracts written	130,072,000	1,042,371		
Contracts terminated:				
Contracts closed	55,909,000	435,849	516,947	(81,098)
Contracts expired	42,367,000	364,560	-	364,560
Total contracts terminated	98,276,000	800,409	516,947	283,462
<b>Contracts Outstanding December 31, 2008</b>	<b>38,396,000</b>	<b>337,409</b>		

**Forward Foreign Currency Exchange Contracts:** The portfolio may enter into forward contracts in order to hedge its exposure to changes in foreign currency exchange rates on its foreign portfolio holdings, to

settle foreign currency transactions or as a part of an investment strategy. When executing forward contracts, the portfolio is obligated to buy or sell a foreign currency at a specified rate on a certain date in the future. With respect to sales of forward contracts, the portfolio would incur a loss if the value of the contracts increases between the date the forward contracts are opened and the date the forward contracts are closed. The portfolio realizes a gain if the value of the contracts decreases between those dates. With respect to purchases of forward contracts, the portfolio would incur a loss if the value of the contracts decreases between the date the forward contracts are opened and the date the forward contracts are closed. The portfolio realizes a gain if the value of the contracts increases between those dates. The portfolio is also exposed to credit risk associated with counterparty nonperformance on these forward contracts, which is typically limited to the unrealized gain on each open contract. The following summarizes open forward contracts at June 30, 2009:

Forward Currency Exchange Contracts	Foreign Currency Amounts	Cost (\$)	Value (\$)	Unrealized Appreciation (Depreciation) (\$)
<b>Purchases:</b>				
Argentine Peso, expiring 7/31/2009	2,412,000	624,062	624,563	501
Brazilian Real, expiring 7/31/2009	1,286,000	654,153	652,306	(1,847)
Canadian Dollar, expiring 7/24/2009	760,000	665,266	653,473	(11,793)
Columbian Peso, expiring 7/31/2009	1,456,830,000	672,901	675,858	2,957
Euro expiring 7/24/2009	310,000	435,748	434,900	(848)
British Pound, expiring 7/24/2009	400,000	662,700	658,071	(4,629)
South Korean Won, expiring 7/24/2009	843,360,000	661,978	663,002	1,024

Forward Currency Exchange Contracts	Foreign Currency Amounts	Cost (\$)	Value (\$)	Unrealized Appreciation (Depreciation) (\$)
<b>Purchases (continued):</b>				
Russian Ruble, expiring 7/31/2009	19,984,000	635,866	635,927	61
Thai Bhat, expiring 7/31/2009	22,470,000	659,699	659,118	(581)
<b>Gross Unrealized Appreciation</b>				<b>4,543</b>
<b>Gross Unrealized Depreciation</b>				<b>(19,698)</b>

**Swaps:** The portfolio may enter into swap agreements to exchange the interest rate on, or return generated by, one nominal instrument for the return generated by another nominal instrument. The portfolio enters into these agreements for a variety of reasons, including to hedge certain market or interest rate risks, to manage the interest rate sensitivity (sometimes called duration) of fixed income securities, to provide a substitute for purchasing or selling particular securities or to increase potential returns.

The portfolio accrues for the interim payments on swap contracts on a daily basis, with the net amount recorded within unrealized appreciation (depreciation) on swap contracts in the Statement of Assets and Liabilities. Once the interim payments are settled in cash, the net amount is recorded as realized gain (loss) on swaps, in addition to realized gain (loss) recorded upon the termination of swaps contracts in the Statement of Operations. Upfront payments made and/or received by the portfolio, are recorded as an asset and/or liability in the Statement of Assets and Liabilities and are recorded as a realized gain

or loss ratably over the contract's term/event with the exception of forward started interest rate swaps which are recorded as realized gains or losses on the termination date. Fluctuations in the value of swap contracts are recorded for financial statement purposes as unrealized appreciation or depreciation on swap transactions. At June 30, 2009, there were no open swap contracts.

At June 30, 2009, accumulated net unrealized depreciation on investments was \$3,767,311, consisting of \$2,935,207 gross unrealized appreciation and \$6,702,518 gross unrealized depreciation.

At June 30, 2009, the cost of investments for federal income tax purposes was substantially the same as the cost for financial reporting purposes (see the Statement of Investments).

**NOTE 5—Subsequent Events Evaluation:**

Dreyfus has evaluated the need for disclosures and/or adjustments resulting from subsequent events through the date of issuance of the financial statements. This evaluation did not result in any subsequent events that necessitated disclosures and/or adjustments.

## INFORMATION ABOUT THE REVIEW AND APPROVAL OF THE PORTFOLIO'S INVESTMENT ADVISORY AGREEMENT (Unaudited)

At a meeting of the fund's Board held on March 3, 2009, the Board unanimously approved the continuation of the fund's Investment Advisory Agreement with Dreyfus for a one-year term ending March 30, 2010. The Board members, none of whom are "interested persons" (as defined in the Investment Company Act of 1940, as amended) of the fund, were assisted in their review by independent legal counsel and met with counsel in executive session separate from representatives of Dreyfus. In approving the continuance of the Investment Advisory Agreement, the Board considered all factors that they believed to be relevant, including, among other things, the factors discussed below.

Analysis of Nature, Extent and Quality of Services Provided to the Fund. The Board members received a presentation from representatives of Dreyfus regarding services provided to the fund and other funds in the Dreyfus fund complex, and discussed the nature, extent and quality of the services provided to the fund pursuant to its Investment Advisory Agreement. Dreyfus' representatives reviewed the fund's distribution of accounts and the relationships Dreyfus has with various intermediaries and the different needs of each. Dreyfus' representatives noted the various distribution channels for the fund as well as the diverse methods of distribution among other funds in the Dreyfus fund complex, and Dreyfus' corresponding need for broad, deep, and diverse resources to be able to provide ongoing shareholder services to each distribution channel, including those of the fund. Dreyfus also provided the number of accounts investing in the fund, as well as the fund's asset size.

The Board members also considered Dreyfus' research and portfolio management capabilities and Dreyfus' oversight of day-to-day fund operations, including fund accounting and administration and assistance in meeting legal and regulatory requirements. The Board members also considered Dreyfus' extensive administrative, accounting and compliance infrastructure. The Board also considered Dreyfus' brokerage policies and practices and the standards applied in seeking best execution.

Comparative Analysis of the Fund's Performance and Advisory Fee and Expense Ratio. The Board members reviewed the fund's performance and comparisons to a group of A-rated corporate debt funds underlying

variable insurance products (the “Performance Group”) and to a larger universe of funds, consisting of all A-rated corporate debt funds underlying variable insurance products (the “Performance Universe”) selected and provided by Lipper, Inc., an independent provider of investment company data. The Board was provided with a description of the methodology Lipper used to select the Performance Group and Performance Universe, as well as the Expense Group and Expense Universe (discussed below). The Board members discussed the results of the comparisons and noted the fund’s average annual total return ranked in the third quartile of the Performance Group and Performance Universe for the one-, two-, three-, four-, five- and ten-year periods ended December 31, 2008. The Board further noted that the fund’s yield generally ranked in the second or third quartile of the Performance Group and Performance Universe for the last ten calendar years. Dreyfus also provided a comparison of the fund’s calendar year total returns to the returns of the fund’s benchmark index. The Board observed that new portfolio managers were assigned to the fund in July 2008 and that it was too soon to effectively evaluate their performance.

The Board members also discussed the fund’s contractual and actual management fees and expense ratio and reviewed the range of management fees and expense ratios as compared to a comparable group of funds (the “Expense Group”) and a broader group of funds (the “Expense Universe”), each selected and provided by Lipper. The fund’s management fees were in the fourth quartile of the Expense Group and Expense Universe. The fund’s total expense ratio was in the fourth quartile of the Expense Group and the third quartile of the Expense Universe.

Representatives of Dreyfus reviewed with the Board members the fees paid to Dreyfus or its affiliates by mutual funds and/or separate accounts managed by Dreyfus with similar investment objectives, policies and strategies as the fund (the “Similar Accounts”), and explained the nature of the Similar Accounts and the differences, from Dreyfus’ perspective, as applicable, in providing services to the Similar Accounts as compared to the fund. Dreyfus’ representatives also reviewed the costs

associated with distribution through intermediaries. The Board analyzed differences in fees paid to Dreyfus and discussed the relationship of the advisory fees paid in light of the services provided. The Board members considered the relevance of the fee information provided for the Similar Accounts to evaluate the appropriateness and reasonableness of the fund's management fees. The Board acknowledged that differences in fees paid by the Similar Accounts seemed to be consistent with the services provided.

Analysis of Profitability and Economies of Scale. Dreyfus' representatives reviewed the dollar amount of expenses allocated and profit received by Dreyfus and the method used to determine such expenses and profit. The Board previously had been provided with information prepared by an independent consulting firm regarding Dreyfus' approach to allocating costs to, and determining the profitability of, individual funds and the entire Dreyfus mutual fund complex. The Board also was informed that the methodology had also been reviewed by an independent registered public accounting firm which, like the consultant, found the methodology to be reasonable. The consulting firm also analyzed where any economies of scale might emerge in connection with the management of the fund. The Board members evaluated the profitability analysis in light of the relevant circumstances for the fund and the extent to which economies of scale would be realized if the fund grows and whether fee levels reflect these economies of scale for the benefit of fund investors. The Board members also considered potential benefits to Dreyfus from acting as investment adviser and noted that there were no soft dollar arrangements with respect to trading the fund's investments.

It was noted that the Board members should consider Dreyfus' profitability with respect to the fund as part of their evaluation of whether the fees under the Investment Advisory Agreement bear a reasonable relationship to the mix of services provided by Dreyfus, including the nature, extent and quality of such services, and that a discussion of

economies of scale is predicated on a fund having achieved a substantial size with increasing assets and that, if a fund's assets had been static or decreasing, the possibility that Dreyfus may have realized any economies of scale would be less. It also was noted that Dreyfus did not realize a profit on the fund's operations.

At the conclusion of these discussions, the Board agreed that it had been furnished with sufficient information to make an informed business decision with respect to continuation of the fund's Investment Advisory Agreement. Based on the discussions and considerations as described above, the Board made the following conclusions and determinations.

- The Board concluded that the nature, extent and quality of the services provided by Dreyfus are adequate and appropriate.
- The Board noted Dreyfus' efforts to improve the fund's returns including the appointment of new portfolio managers.
- The Board concluded that the fee paid by the fund to Dreyfus was reasonable in light of the considerations described above.
- The Board determined that the economies of scale which may accrue to Dreyfus and its affiliates in connection with the management of the fund had been adequately considered by Dreyfus in connection with the advisory fee rate charged to the fund and that, to the extent in the future it were determined that material economies of scale had not been shared with the fund, the Board would seek to have those economies of scale shared with the fund.

The Board members considered these conclusions and determinations, along with information received on a routine and regular basis throughout the year, and, without any one factor being dispositive, the Board determined that continuation of the fund's Investment Advisory Agreement was in the best interests of the fund and its shareholders.

# For More Information

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**Dreyfus Variable  
Investment Fund,  
Quality Bond Portfolio**  
200 Park Avenue  
New York, NY 10166

## **Investment Adviser**

The Dreyfus Corporation  
200 Park Avenue  
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## **Custodian**

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## **Transfer Agent & Dividend Disbursing Agent**

Dreyfus Transfer, Inc.  
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New York, NY 10166

## **Distributor**

MBSC Securities Corporation  
200 Park Avenue  
New York, NY 10166

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**Telephone** 1-800-554-4611 or 1-516-338-3300

**Mail** The Dreyfus Family of Funds, 144 Glenn Curtiss Boulevard, Uniondale, NY 11556-0144  
Attn: Investments Division

The portfolio files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The portfolio's Forms N-Q are available on the SEC's website at <http://www.sec.gov> and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

A description of the policies and procedures that the portfolio uses to determine how to vote proxies relating to portfolio securities, and information regarding how the portfolio voted these proxies for the 12-month period ended June 30, 2009, is available at <http://www.dreyfus.com> and on the SEC's website at <http://www.sec.gov>. The description of the policies and procedures is also available without charge, upon request, by calling 1-800-645-6561.

