WELLS FARGO Asset Management

Semi-Annual Report

June 30, 2019

# Wells Fargo VT Discovery Fund

**Beginning on January 1, 2021, as permitted by new regulations adopted by the Securities and Exchange Commission, paper copies of the Wells Fargo Funds' annual and semi-annual shareholder reports issued after this date will no longer be sent by mail, unless you specifically request paper copies of the reports. Instead, the reports will be made available on the Funds' website, and you will be notified by mail each time a report is posted and provided with a website address to access the report.**

**If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the Fund electronically at any time by contacting your financial intermediary (such as a broker-dealer or bank) or, if you are a direct investor, by calling 1-800-222-8222 or by enrolling at wellsfargo.com/advantagedelivery.**

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**Andrew Owen**
President
Wells Fargo Funds

# Dear Shareholder:

We are pleased to offer you this semi-annual report for the Wells Fargo VT Discovery Fund for the six-month period that ended June 30, 2019. While early 2019 saw stocks and bonds gain with renewed business and investor confidence, volatility returned late in the period as global growth slowed and geopolitical concerns persisted.

For the period, U.S. stocks, based on the S&P 500 Index,[1] gained 18.54% and international stocks, as measured by the MSCI ACWI ex USA Index (Net),[2] gained 13.60%. Based on the MSCI EM Index (Net),[3] emerging market stocks gained 10.58%. Bond investors saw the Bloomberg Barclays U.S. Aggregate Bond Index[4] add 6.11% while the Bloomberg Barclays Global Aggregate ex-USD Index[5] rose 4.99%. The Bloomberg Barclays Municipal Bond Index[6] added 5.09%, and the ICE BofAML U.S. High Yield Index[7] was up 10.16%.

## The market climbs a wall of worry.

*"Investors entered 2019 with reasons to be concerned."*

Investors entered 2019 with reasons to be concerned. Investment returns appeared to reaffirm the adage that markets climb a wall of worry. The S&P 500 Index gained 8.01% for the month of January, the best monthly performance in 30 years. Returns for the MSCI ACWI ex USA Index (Net), the Bloomberg Barclays U.S. Aggregate Bond Index, and the Bloomberg Barclays Global Aggregate ex-USD Index also were positive. The U.S. Federal Reserve (Fed) indicated that it would pause its program of regular rate increases during 2019 as inflation remained low.

In February 2019, concerns over slowing global growth persisted. The Bureau of Economic Analysis announced fourth-quarter 2018 gross domestic product (GDP) grew at an annualized 2.2% rate, down from the levels of the prior two quarters. In a February report, the Bank of England forecast the slowest growth since the financial crisis for 2019. China and the U.S. continued to wrangle over trade issues.

By the end of March 2019, the combination of dovish Fed sentiment and steady, if not spectacular, economic and business metrics reinforced investors' confidence. Monthly job creation data and corporate profits, while less consistent than during 2018, were solid. China announced a roughly $300 billion stimulus package through tax and fee cuts intended to reinvigorate economic growth.

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1 The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market-value-weighted index with each stock's weight in the index proportionate to its market value. You cannot invest directly in an index.

2 The Morgan Stanley Capital International (MSCI) All Country World Index (ACWI) ex USA Index (Net) is a free-float-adjusted market-capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets, excluding the U.S. Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed, or produced by MSCI. You cannot invest directly in an index.

3 The MSCI Emerging Markets (EM) Index (Net) is a free-float-adjusted market-capitalization-weighted index that is designed to measure the equity market performance of emerging markets. You cannot invest directly in an index.

4 The Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, mortgage-backed securities (agency fixed-rate and hybrid adjustable-rate mortgage pass-throughs), asset-backed securities, and commercial mortgage-backed securities. You cannot invest directly in an index.

5 The Bloomberg Barclays Global Aggregate ex-USD Index is an unmanaged index that provides a broad-based measure of the global investment-grade fixed-income markets excluding the U.S. dollar-denominated debt market. You cannot invest directly in an index.

6 The Bloomberg Barclays Municipal Bond Index is an unmanaged index composed of long-term tax-exempt bonds with a minimum credit rating of Baa. You cannot invest directly in an index.

7 The ICE BofAML U.S. High Yield Index is a market-capitalization-weighted index of domestic and Yankee high-yield bonds. The index tracks the performance of high-yield securities traded in the U.S. bond market. You cannot invest directly in an index. 

## Signals were mixed during the second quarter of 2019.

During April, investors drew confidence from favorable economic projections, sustained low inflation, and solid employment data. First-quarter GDP showed the economy grew at an annualized rate of 3.2% on improvement in business investment and exports. Favorable sentiment extended to foreign markets as the MSCI ACWI ex USA Index (Net) gained 2.64% and the MSCI EM Index (Net) added 2.11% for the month.

During May, investing signals were mixed. In the U.S., partisan wrangling ramped up as Democrats and Republicans set their sights on 2020 presidential politics. The U.K.'s Brexit caused Prime Minister Theresa May to resign. The European Commission downgraded the 2019 growth forecast to 1.2%. The U.S. increased tariffs on products from China, China responded, and then talks broke down. President Donald Trump threatened to turn his foreign policy tariff tool to Mexico over immigration issues. Markets tumbled.

*"During May, investing signals were mixed."*

As had been the case during most of 2019 to date, just as the investment horizon appeared to darken, sentiment turned and markets gained. The gains, primarily driven by geopolitical and monetary policy events, drove equity markets to new highs. President Trump dropped his threats of new tariffs on Mexico after talks and further tariffs on China after meeting with China's President Xi Jinping at the G-20 summit. President Mario Draghi of the European Central Bank said that if the outlook doesn't improve, the bank will cut rates or buy more assets to prop up inflation. In the U.S., the Fed said growth shifted from "solid" to "moderate" and indicated a willingness to cut rates.

## Don't let short-term uncertainty derail long-term investment goals.

Periods of investment uncertainty can present challenges, but experience has taught us that maintaining long-term investment goals can be an effective way to plan for the future. To help you create a sound strategy based on your personal goals and risk tolerance, Wells Fargo Funds offers more than 100 mutual funds spanning a wide range of asset classes and investment styles. Although diversification cannot guarantee an investment profit or prevent losses, we believe it can be an effective way to manage investment risk and potentially smooth out overall portfolio performance. We encourage investors to know their investments and to understand that appropriate levels of risk-taking may unlock opportunities.

For further information about your Fund, contact your investment professional, visit our website at **wfam.com**, or call us directly at **1-800-260-5969**.

Thank you for choosing to invest with Wells Fargo Funds. We appreciate your confidence in us and remain committed to helping you meet your financial needs.

Sincerely,

Andrew Owen
President
Wells Fargo Funds

## Investment objective

The Fund seeks long-term capital appreciation.

## Manager

Wells Fargo Funds Management, LLC

## Subadviser

Wells Capital Management Incorporated

## Portfolio managers

Michael T. Smith, CFA®‡
Christopher J. Warner, CFA®‡

**Average annual total returns (%) as of June 30, 2019**

| | | | | | Expense ratios[1] (%) | |
|---|---|---|---|---|---|---|
| | Inception date | 1 year | 5 year | 10 year | Gross | Net[2] |
| Class 2 | 5-8-1992 | 17.36 | 12.00 | 17.66 | 1.17 | 1.16 |
| Russell 2500™ Growth Index[3] | – | 6.13 | 9.98 | 15.67 | – | – |

***Figures quoted represent past performance, which is no guarantee of future results****. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted and assumes the reinvestment of dividends and capital gains. Current month-end performance is available by calling 1-800-260-5969. Performance figures of the Fund do not reflect fees charged pursuant to the terms of variable life insurance policies and variable annuity contracts. If these or charges had been reflected, performance would have been lower.*

*Shares are sold without a front-end sales charge or a contingent deferred sales charge.*

*Index returns do not include transaction costs associated with buying and selling securities, any mutual fund fees or expenses, or any taxes. It is not possible to invest directly in an index.*

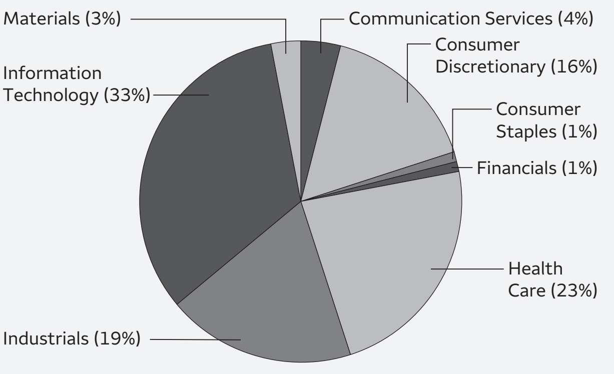
Stock values fluctuate in response to the activities of individual companies and general market and economic conditions. Smaller-company stocks tend to be more volatile and less liquid than those of larger companies. Certain investment strategies tend to increase the total risk of an investment (relative to the broader market). The Fund is exposed to foreign investment risk. Consult the Fund's prospectus for additional information on these and other risks.

**Please refer to the prospectus provided by your participating insurance company for detailed information describing the separate accounts for information regarding surrender charges, mortality and expense risk fees, and other charges that may be assessed by the participating insurance companies.**

Please see footnotes on page 5.

| Ten largest holdings (%) as of June 30, 2019[4] | |
|---|---|
| Waste Connections Incorporated | 2.53 |
| WEX Incorporated | 2.05 |
| Exact Sciences Corporation | 2.00 |
| Black Knight Incorporated | 1.97 |
| Booz Allen Hamilton Holding Corporation | 1.92 |
| Bright Horizons Family Solutions Incorporated | 1.91 |
| Haemonetics Corporation | 1.88 |
| DexCom Incorporated | 1.86 |
| Vail Resorts Incorporated | 1.79 |
| Zendesk Incorporated | 1.72 |

Sector distribution as of June 30, 2019[5]




‡ CFA® and Chartered Financial Analyst® are trademarks owned by CFA Institute.

1 Reflects the expense ratios as stated in the most recent prospectus, which include the impact of 0.01% in acquired fund fees and expenses. The expense ratios shown are subject to change and may differ from the annualized expense ratios shown in the financial highlights of this report.

2 The manager has contractually committed through April 30, 2020, to waive fees and/or reimburse expenses to the extent necessary to cap the expenses of the class after fee waivers at 1.15% for Class 2. Brokerage commissions, stamp duty fees, interest, taxes, acquired fund fees and expenses (if any), and extraordinary expenses are excluded from the expense cap. Prior to or after the commitment expiration date, the cap may be increased or the commitment to maintain the cap may be terminated only with the approval of the Board of Trustees. Without this cap, the Fund's returns would have been lower. The expense ratio paid by an investor is the net expense ratio (the total annual fund operating expenses after fee waivers) as stated in the prospectus.

3 The Russell 2500™ Growth Index measures the performance of those Russell 2500 companies with higher price/book ratios and higher forecasted growth values. You cannot invest directly in an index.

4 The ten largest holdings, excluding cash, cash equivalents and any money market funds, are calculated based on the value of the investments divided by total net assets of the Fund. Holdings are subject to change and may have changed since the date specified.

5 Amounts are calculated based on the total long-term investments of the Fund. These amounts are subject to change and may have changed since the date specified.

As a shareholder of the Fund, you incur ongoing costs, including management fees, distribution (12b-1) fees, and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The example is based on an investment of $1,000 invested at the beginning of the six-month period and held for the entire period from January 1, 2019 to June 30, 2019.

## Actual expenses

The "Actual" line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the "Actual" line under the heading entitled "Expenses Paid During Period" for your applicable class of shares to estimate the expenses you paid on your account during this period.

## Hypothetical example for comparison purposes

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

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any separate account charges assessed by participating insurance companies. Therefore, the "Hypothetical" line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these separate account charges assessed by participating insurance companies were included, your costs would have been higher.

| | Beginning account value 1-1-2019 | Ending account value 6-30-2019 | Expenses paid during the period[1] | Annualized net expense ratio |
|---|---|---|---|---|
| **Class 2** | | | | |
| Actual | $1,000.00 | $1,362.28 | $6.74 | 1.15% |
| Hypothetical (5% return before expenses) | $1,000.00 | $1,019.09 | $5.76 | 1.15% |

[1] Expenses paid is equal to the annualized net expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year divided by the number of days in the fiscal year (to reflect the one-half year period).

| | Shares | Value |
|---|---|---|
| **Common Stocks: 94.92%** | | |
| **Communication Services: 3.95%** | | |
| **Entertainment: 2.65%** | | |
| Take-Two Interactive Software Incorporated † | 19,800 | $ 2,247,894 |
| World Wrestling Entertainment Incorporated Class A | 32,600 | 2,354,046 |
| | | **4,601,940** |
| **Interactive Media & Services: 1.30%** | | |
| Match Group Incorporated | 33,500 | **2,253,545** |
| **Consumer Discretionary: 15.19%** | | |
| **Diversified Consumer Services: 2.76%** | | |
| Adtalem Global Education Incorporated † | 32,500 | 1,464,125 |
| Bright Horizons Family Solutions Incorporated † | 22,000 | 3,319,140 |
| | | **4,783,265** |
| **Hotels, Restaurants & Leisure: 5.92%** | | |
| Chipotle Mexican Grill Incorporated † | 3,500 | 2,565,080 |
| Domino's Pizza Incorporated | 9,500 | 2,643,660 |
| Eldorado Resorts Incorporated † | 42,300 | 1,948,761 |
| Vail Resorts Incorporated | 13,900 | 3,102,202 |
| | | **10,259,703** |
| **Household Durables: 1.21%** | | |
| Skyline Champion Corporation † | 76,600 | **2,097,308** |
| **Internet & Direct Marketing Retail: 2.64%** | | |
| MercadoLibre Incorporated † | 4,854 | 2,969,532 |
| Wayfair Incorporated Class A † | 11,005 | 1,606,730 |
| | | **4,576,262** |
| **Specialty Retail: 1.53%** | | |
| Burlington Stores Incorporated † | 15,616 | **2,657,062** |
| **Textiles, Apparel & Luxury Goods: 1.13%** | | |
| Under Armour Incorporated Class C † | 88,200 | **1,958,040** |
| **Consumer Staples: 1.12%** | | |
| **Food Products: 1.12%** | | |
| Lamb Weston Holdings Incorporated | 30,500 | **1,932,480** |
| **Financials: 0.86%** | | |
| **Consumer Finance: 0.86%** | | |
| SLM Corporation | 152,900 | **1,486,188** |
| **Health Care: 22.13%** | | |
| **Biotechnology: 5.96%** | | |
| CRISPR Therapeutics AG «† | 20,727 | 976,242 |
| Exact Sciences Corporation † | 29,400 | 3,470,376 |
| Immunomedics Incorporated † | 42,900 | 595,023 |
| Invitae Corporation † | 47,479 | 1,115,757 |
| Mirati Therapeutics Incorporated «† | 9,300 | 957,900 |
| Precision BioSciences Incorporated † | 33,931 | 449,586 |

| | Shares | Value |
|---|---|---|
| **Biotechnology** (continued) | | |
| Sarepta Therapeutics Incorporated † | 11,403 | $ 1,732,686 |
| Zai Lab Limited ADR † | 29,612 | 1,032,570 |
| | | **10,330,140** |
| **Health Care Equipment & Supplies: 8.91%** | | |
| Abiomed Incorporated † | 6,200 | 1,615,038 |
| DexCom Incorporated † | 21,500 | 3,221,560 |
| Haemonetics Corporation † | 27,100 | 3,261,214 |
| ICU Medical Incorporated † | 10,300 | 2,594,673 |
| Insulet Corporation † | 22,399 | 2,673,993 |
| iRhythm Technologies Incorporated † | 26,400 | 2,087,712 |
| | | **15,454,190** |
| **Health Care Providers & Services: 1.32%** | | |
| HealthEquity Incorporated † | 35,000 | **2,289,000** |
| **Health Care Technology: 1.61%** | | |
| Veeva Systems Incorporated Class A † | 17,200 | **2,788,292** |
| **Life Sciences Tools & Services: 1.23%** | | |
| Bio-Rad Laboratories Incorporated Class A † | 6,800 | **2,125,612** |
| **Pharmaceuticals: 3.10%** | | |
| Catalent Incorporated † | 42,700 | 2,314,767 |
| Elanco Animal Health Incorporated † | 61,709 | 2,085,764 |
| GW Pharmaceuticals plc ADR «† | 5,700 | 982,623 |
| | | **5,383,154** |
| **Industrials: 18.02%** | | |
| **Aerospace & Defense: 2.58%** | | |
| Mercury Computer Systems Incorporated † | 26,100 | 1,836,135 |
| Teledyne Technologies Incorporated † | 9,600 | 2,629,152 |
| | | **4,465,287** |
| **Commercial Services & Supplies: 8.08%** | | |
| Casella Waste Systems Incorporated Class A † | 56,344 | 2,232,913 |
| Cintas Corporation | 10,500 | 2,491,545 |
| MSA Safety Incorporated | 18,300 | 1,928,637 |
| Tetra Tech Incorporated | 12,184 | 957,053 |
| The Brink's Company | 24,900 | 2,021,382 |
| Waste Connections Incorporated | 45,843 | 4,381,674 |
| | | **14,013,204** |
| **Construction & Engineering: 1.13%** | | |
| WillScot Corporation † | 130,417 | **1,961,472** |
| **Machinery: 3.23%** | | |
| The Middleby Corporation † | 21,400 | 2,903,980 |
| Woodward Governor Company | 23,800 | 2,693,208 |
| | | **5,597,188** |
| **Road & Rail: 1.12%** | | |
| Saia Incorporated † | 30,000 | **1,940,100** |

| | Shares | Value |
|---|---|---|
| **Trading Companies & Distributors: 1.88%** | | |
| SiteOne Landscape Supply Incorporated «† | 21,450 | $ 1,486,485 |
| Univar Incorporated † | 80,680 | 1,778,187 |
| | | **3,264,672** |
| **Information Technology: 31.17%** | | |
| **Communications Equipment: 1.66%** | | |
| Motorola Solutions Incorporated | 17,300 | **2,884,429** |
| **Electronic Equipment, Instruments & Components: 4.75%** | | |
| Littelfuse Incorporated | 8,457 | 1,496,128 |
| Novanta Incorporated † | 18,600 | 1,753,980 |
| Rogers Corporation † | 14,180 | 2,447,184 |
| Zebra Technologies Corporation Class A † | 12,100 | 2,534,829 |
| | | **8,232,121** |
| **IT Services: 15.54%** | | |
| Black Knight Incorporated † | 56,900 | 3,422,535 |
| Booz Allen Hamilton Holding Corporation | 50,400 | 3,336,984 |
| EPAM Systems Incorporated † | 16,719 | 2,894,059 |
| Euronet Worldwide Incorporated † | 17,393 | 2,926,198 |
| InterXion Holding NV † | 34,700 | 2,640,323 |
| PagSeguro Digital Limited Class A «† | 63,300 | 2,466,801 |
| Shopify Incorporated Class A † | 6,300 | 1,890,945 |
| Twilio Incorporated Class A † | 15,500 | 2,113,425 |
| WEX Incorporated † | 17,100 | 3,558,510 |
| WNS Holdings Limited ADR † | 28,600 | 1,693,120 |
| | | **26,942,900** |
| **Semiconductors & Semiconductor Equipment: 0.92%** | | |
| Lattice Semiconductor Corporation † | 108,900 | **1,588,851** |
| **Software: 7.45%** | | |
| DocuSign Incorporated † | 35,400 | 1,759,734 |
| Elastic NV † | 31,800 | 2,374,188 |
| Envestnet Incorporated † | 26,400 | 1,804,968 |
| Globant SA † | 20,700 | 2,091,735 |
| Pluralsight Incorporated Class A † | 62,982 | 1,909,614 |
| Zendesk Incorporated † | 33,400 | 2,973,602 |
| | | **12,913,841** |
| **Technology Hardware, Storage & Peripherals: 0.85%** | | |
| NCR Corporation † | 47,600 | **1,480,360** |
| **Materials: 2.48%** | | |
| **Chemicals: 1.37%** | | |
| Ingevity Corporation † | 22,500 | **2,366,325** |
| **Containers & Packaging: 1.11%** | | |
| AptarGroup Incorporated | 15,500 | **1,927,270** |
| **Total Common Stocks (Cost $123,598,021)** | | **164,554,201** |

| | | Yield | Shares | Value |
|---|---|---|---|---|
| **Short-Term Investments: 6.93%** | | | | |
| **Investment Companies: 6.93%** | | | | |
| Securities Lending Cash Investments LLC (l)(r)(u) | | 2.51% | 6,058,938 | $ 6,060,149 |
| Wells Fargo Government Money Market Fund Select Class (l)(u) | | 2.33 | 5,951,169 | 5,951,169 |
| **Total Short-Term Investments (Cost $12,010,452)** | | | | **12,011,318** |
| **Total investments in securities (Cost $135,608,473)** | 101.85% | | | 176,565,519 |
| Other assets and liabilities, net | (1.85) | | | (3,211,207) |
| **Total net assets** | **100.00%** | | | **$173,354,312** |

† Non-income-earning security

« All or a portion of this security is on loan.

(l) The issuer of the security is an affiliated person of the Fund as defined in the Investment Company Act of 1940.

(r) The investment is a non-registered investment company purchased with cash collateral received from securities on loan.

(u) The rate represents the 7-day annualized yield at period end.

Abbreviations:

ADR American depositary receipt

## Investments in Affiliates

An affiliated investment is an investment in which the Fund owns at least 5% of the outstanding voting shares of the issuer or as a result of other relationships, such as the Fund and the issuer having the same investment manager. Transactions with issuers that were either affiliated persons of the Fund at the beginning of the period or the end of the period were as follows:

| | Shares, beginning of period | Shares purchased | Shares sold | Shares, end of period | Net realized gains | Net change in unrealized gains (losses) | Income from affiliated securities | Value, end of period | % of net assets |
|---|---|---|---|---|---|---|---|---|---|
| **Short-Term Investments** | | | | | | | | | |
| **Investment Companies** | | | | | | | | | |
| Securities Lending Cash Investments LLC | 13,299,929 | 46,399,953 | 53,640,944 | 6,058,938 | $477 | $606 | $117,602[#] | $6,060,149 | |
| Wells Fargo Government Money Market Fund Select Class | 4,704,923 | 28,909,181 | 27,662,935 | 5,951,169 | 0 | 0 | 42,573 | 5,951,169 | |
| | | | | | **$477** | **$606** | **$160,175** | **$12,011,318** | **6.93%** |

[#] Amount shown represents income before fees and rebates.

| | |
|---|---|
| **Assets** | |
| Investments in unaffiliated securities (including $5,924,102 of securities loaned), at value (cost $123,598,021) | $164,554,201 |
| Investments in affiliated securities, at value (cost $12,010,452) | 12,011,318 |
| Receivable for investments sold | 2,592,113 |
| Receivable for Fund shares sold | 2,049,808 |
| Receivable for dividends | 45,561 |
| Receivable for securities lending income, net | 1,653 |
| Prepaid expenses and other assets | 880 |
| **Total assets** | **181,255,534** |
| **Liabilities** | |
| Payable upon receipt of securities loaned | 6,059,156 |
| Payable for investments purchased | 1,530,355 |
| Payable for Fund shares redeemed | 135,665 |
| Management fee payable | 102,411 |
| Distribution fee payable | 34,273 |
| Administration fee payable | 10,981 |
| Trustees' fees and expenses payable | 3,049 |
| Accrued expenses and other liabilities | 25,332 |
| **Total liabilities** | **7,901,222** |
| **Total net assets** | **$173,354,312** |

## Net assets consist of

| | |
|---|---|
| Paid-in capital | $107,169,428 |
| Total distributable earnings | 66,184,884 |
| **Total net assets** | **$173,354,312** |

## Computation of net asset value per share

| | |
|---|---|
| Net assets – Class 2 | $ 173,354,312 |
| Shares outstanding – Class 2[1] | 4,868,473 |
| Net asset value per share – Class 2 | $35.61 |

[1] The Fund has an unlimited number of authorized shares.

The accompanying notes are an integral part of these financial statements.

| | |
|---|---|
| **Investment income** | |
| Dividends (net of foreign withholding taxes of $2,317) | $ 200,365 |
| Income from affiliated securities | 42,573 |
| Securities lending income from affiliates, net | 31,357 |
| **Total investment income** | **274,295** |
| **Expenses** | |
| Management fee | 560,844 |
| Administration fee | |
| Class 2 | 59,823 |
| Distribution fee | |
| Class 2 | 186,823 |
| Custody and accounting fees | 9,959 |
| Professional fees | 19,438 |
| Shareholder report expenses | 16,274 |
| Trustees' fees and expenses | 10,849 |
| Other fees and expenses | 4,583 |
| **Total expenses** | **868,593** |
| Less: Fee waivers and/or expense reimbursements | (8,632) |
| Net expenses | 859,961 |
| **Net investment loss** | **(585,666)** |

## Realized and unrealized gains (losses) on investments

| | |
|---|---|
| **Net realized gains on:** | |
| Unaffiliated securities | 8,790,347 |
| Affiliated securities | 477 |
| Net realized gains on investments | 8,790,824 |
| **Net change in unrealized gains (losses) on:** | |
| Unaffiliated securities | 36,891,017 |
| Affiliated securities | 606 |
| Net change in unrealized gains (losses) on investments | 36,891,623 |
| **Net realized and unrealized gains (losses) on investments** | **45,682,447** |
| **Net increase in net assets resulting from operations** | **$ 45,096,781** |

The accompanying notes are an integral part of these financial statements.

| | Six months ended June 30, 2019 (unaudited) | | Year ended December 31, 2018 | |
|---|---|---|---|---|
| **Operations** | | | | |
| Net investment loss | | $ (585,666) | | $ (813,231) |
| Net realized gains on investments | | 8,790,824 | | 17,962,114 |
| Net change in unrealized gains (losses) on investments | | 36,891,623 | | (26,090,173) |
| **Net increase (decrease) in net assets resulting from operations** | | **45,096,781** | | **(8,941,290)** |
| **Distributions to shareholders from net investment income and net realized gains – Class 2** | | **0** | | **(17,790,224)** |
| **Capital share transactions** | **Shares** | | **Shares** | |
| Proceeds from shares sold – Class 2 | 696,439 | 23,478,787 | 285,101 | 9,073,079 |
| Reinvestment of distributions – Class 2 | 0 | 0 | 566,207 | 17,790,224 |
| Payment for shares redeemed – Class 2 | (641,214) | (21,027,115) | (612,162) | (19,500,629) |
| **Net increase in net assets resulting from capital share transactions** | | **2,451,672** | | **7,362,674** |
| **Total increase (decrease) in net assets** | | **47,548,453** | | **(19,368,840)** |
| **Net assets** | | | | |
| **Beginning of period** | | **125,805,859** | | **145,174,699** |
| **End of period** | | **$ 173,354,312** | | **$125,805,859** |

The accompanying notes are an integral part of these financial statements.

(For a share outstanding throughout each period)

| CLASS 2 | Six months ended June 30, 2019 (unaudited) | Year ended December 31 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| **Net asset value, beginning of period** | **$26.14** | **$31.74** | **$25.91** | **$25.99** | **$30.71** | **$35.20** |
| Net investment loss | (0.12) | (0.17) | (0.20) | (0.13) | (0.21) | (0.22) |
| Net realized and unrealized gains (losses) on investments | 9.59 | (1.39) | 7.60 | 2.00 | 0.21 | 0.16 |
| Total from investment operations | 9.47 | (1.56) | 7.40 | 1.87 | 0.00 | (0.06) |
| **Distributions to shareholders from** | | | | | | |
| Net realized gains | 0.00 | (4.04) | (1.57) | (1.95) | (4.72) | (4.43) |
| **Net asset value, end of period** | **$35.61** | **$26.14** | **$31.74** | **$25.91** | **$25.99** | **$30.71** |
| **Total return[1]** | **36.23%** | **(7.06)%** | **29.13%** | **7.65%** | **(1.46)%** | **0.36%** |
| **Ratios to average net assets (annualized)** | | | | | | |
| Gross expenses | 1.16% | 1.16% | 1.16% | 1.18% | 1.17% | 1.14% |
| Net expenses | 1.15% | 1.15% | 1.15% | 1.15% | 1.15% | 1.14% |
| Net investment loss | (0.79)% | (0.55)% | (0.68)% | (0.52)% | (0.72)% | (0.68)% |
| **Supplemental data** | | | | | | |
| Portfolio turnover rate | 40% | 60% | 75% | 85% | 90% | 79% |
| Net assets, end of period (000s omitted) | $173,354 | $125,806 | $145,175 | $119,919 | $126,839 | $138,490 |

[1] Returns for periods of less than one year are not annualized. Performance figures of the Fund do not reflect fees charged pursuant to the terms of variable life insurance policies and variable annuity contracts.

The accompanying notes are an integral part of these financial statements.

# 1. ORGANIZATION

Wells Fargo Variable Trust (the "Trust"), a Delaware statutory trust organized on March 10, 1999, is an open-end management investment company registered under the Investment Company Act of 1940, as amended (the "1940 Act"). As an investment company, the Trust follows the accounting and reporting guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 946*, Financial Services – Investment Companies.* These financial statements report on the Wells Fargo VT Discovery Fund (the "Fund") which is a diversified series of the Trust. The Trust offers shares of the Fund to separate accounts of various life insurance companies as funding vehicles for certain variable annuity contracts and variable life insurance policies.

# 2. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies, which are consistently followed in the preparation of the financial statements of the Fund, are in conformity with U.S. generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## Securities valuation

All investments are valued each business day as of the close of regular trading on the New York Stock Exchange (generally 4 p.m. Eastern Time), although the Fund may deviate from this calculation time under unusual or unexpected circumstances.

Equity securities that are listed on a foreign or domestic exchange or market are valued at the official closing price or, if none, the last sales price. If no sale occurs on the principal exchange or market that day, a fair value price will be determined in accordance with the Fund's Valuation Procedures.

Investments in registered open-end investment companies are valued at net asset value. Interests in non-registered investment companies that are redeemable at net asset value are fair valued normally at net asset value.

Investments which are not valued using any of the methods discussed above are valued at their fair value, as determined in good faith by the Board of Trustees of the Fund. The Board of Trustees has established a Valuation Committee comprised of the Trustees and has delegated to it the authority to take any actions regarding the valuation of portfolio securities that the Valuation Committee deems necessary or appropriate, including determining the fair value of portfolio securities, unless the determination has been delegated to the Wells Fargo Asset Management Pricing Committee at Wells Fargo Funds Management, LLC ("Funds Management"). The Board of Trustees retains the authority to make or ratify any valuation decisions or approve any changes to the Valuation Procedures as it deems appropriate. On a quarterly basis, the Board of Trustees receives reports on any valuation actions taken by the Valuation Committee or the Wells Fargo Asset Management Pricing Committee which may include items for ratification.

## Securities lending

The Fund may lend its securities from time to time in order to earn additional income in the form of fees or interest on securities received as collateral or the investment of any cash received as collateral. When securities are on loan, the Fund receives interest or dividends on those securities. The Fund receives collateral in the form of cash or securities with a value at least equal to the value of the securities on loan. The value of the loaned securities is determined at the close of each business day and any additional required collateral is delivered to the Fund on the next business day. In a securities lending transaction, the net asset value of the Fund will be affected by an increase or decrease in the value of the securities loaned and by an increase or decrease in the value of the instrument in which collateral is invested. The amount of securities lending activity undertaken by the Fund fluctuates from time to time. In the event of default or bankruptcy by the borrower, the Fund may be prevented from recovering the loaned securities or gaining access to the collateral or may experience delays or costs in doing so. In addition, the investment of any cash collateral received may lose all or part of its value. The Fund has the right under the lending agreement to recover the securities from the borrower on demand.

The Fund lends its securities through an unaffiliated securities lending agent. Cash collateral received in connection with its securities lending transactions is invested in Securities Lending Cash Investments, LLC (the "Securities Lending Fund"). The Securities Lending Fund is exempt from registration under Section 3(c)(7) of the 1940 Act and is managed by Funds Management and is subadvised by Wells Capital Management Incorporated ("WellsCap"), an affiliate of Funds Management and an indirect wholly owned subsidiary of Wells Fargo & Company ("Wells Fargo"). Funds Management receives an advisory fee starting at 0.05% and declining to 0.01% as the average daily net assets of the Securities Lending Fund increase. All of the fees received by Funds Management are paid to WellsCap for its services as subadviser. The Securities Lending Fund seeks to provide a positive return compared to the daily Fed Funds Open Rate by investing in high-quality, U.S. dollar-denominated short-term money market instruments. Securities Lending Fund investments are valued at the evaluated bid price provided by an independent pricing service. Income earned from investment in the Securities Lending Fund, if any, is included in securities lending income from affiliates (net of fees and rebates) on the Statement of Operations.

### Security transactions and income recognition

Securities transactions are recorded on a trade date basis. Realized gains or losses are recorded on the basis of identified cost.

Dividend income is recognized on the ex-dividend date. Dividend income is recorded net of foreign taxes withheld where recovery of such taxes is not assured.

### Distributions to shareholders

Distributions to shareholders from net investment income and any net realized gains are recorded on the ex-dividend date and paid at least annually. Such distributions are determined in accordance with income tax regulations and may differ from U.S. generally accepted accounting principles. Dividend sources are estimated at the time of declaration. The tax character of distributions is determined as of the Fund's fiscal year end. Therefore, a portion of the Fund's distributions made prior to the Fund's fiscal year end may be categorized as a tax return of capital at year end.

### Federal and other taxes

The Fund intends to continue to qualify as a regulated investment company by distributing substantially all of its investment company taxable income and any net realized capital gains (after reduction for capital loss carryforwards) sufficient to relieve it from all, or substantially all, federal income taxes. Accordingly, no provision for federal income taxes was required.

The Fund's income and federal excise tax returns and all financial records supporting those returns for the prior three fiscal years are subject to examination by the federal and Delaware revenue authorities. Management has analyzed the Fund's tax positions taken on federal, state, and foreign tax returns for all open tax years and does not believe that there are any uncertain tax positions that require recognition of a tax liability.

As of June 30, 2019, the aggregate cost of all investments for federal income tax purposes was $135,459,013 and the unrealized gains (losses) consisted of:

| | |
|---|---|
| Gross unrealized gains | $43,430,212 |
| Gross unrealized losses | (2,323,706) |
| Net unrealized gains | $41,106,506 |

## 3. FAIR VALUATION MEASUREMENTS

Fair value measurements of investments are determined within a framework that has established a fair value hierarchy based upon the various data inputs utilized in determining the value of the Fund's investments. The three-level hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Fund's investments are classified within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. The inputs are summarized into three broad levels as follows:

- Level 1 – quoted prices in active markets for identical securities
- 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 Fund's own assumptions in determining the fair value of investments)

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

The following is a summary of the inputs used in valuing the Fund's assets and liabilities as of June 30, 2019:

| | Quoted prices (Level 1) | Other significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| **Investments in:** | | | | |
| **Common stocks** | | | | |
| *Communication services* | $ 6,855,485 | $0 | $0 | $ 6,855,485 |
| *Consumer discretionary* | 26,331,640 | 0 | 0 | 26,331,640 |
| *Consumer staples* | 1,932,480 | 0 | 0 | 1,932,480 |
| *Financials* | 1,486,188 | 0 | 0 | 1,486,188 |
| *Health care* | 38,370,388 | 0 | 0 | 38,370,388 |
| *Industrials* | 31,241,923 | 0 | 0 | 31,241,923 |
| *Information technology* | 54,042,502 | 0 | 0 | 54,042,502 |
| *Materials* | 4,293,595 | 0 | 0 | 4,293,595 |
| **Short-term investments** | | | | |
| *Investment companies* | 12,011,318 | 0 | 0 | 12,011,318 |
| **Total assets** | **$176,565,519** | **$0** | **$0** | **$176,565,519** |

Additional sector, industry or geographic detail is included in the Portfolio of Investments.

At June 30, 2019, the Fund did not have any transfers into/out of Level 3.

## 4. TRANSACTIONS WITH AFFILIATES

### Management fee

Funds Management, an indirect wholly owned subsidiary of Wells Fargo, is the manager of the Fund and provides advisory and fund-level administrative services under an investment management agreement. Under the investment management agreement, Funds Management is responsible for, among other services, implementing the investment objectives and strategies of the Fund, supervising the subadviser and providing fund-level administrative services in connection with the Fund's operations. As compensation for its services under the investment management agreement, Funds Management is entitled to receive a management fee at the following annual rate based on the Fund's average daily net assets:

| Average daily net assets | Management fee |
|---|---|
| First $500 million | 0.750% |
| Next $500 million | 0.700 |
| Next $1 billion | 0.650 |
| Next $2 billion | 0.625 |
| Next $1 billion | 0.600 |
| Next $5 billion | 0.590 |
| Over $10 billion | 0.580 |

For the six months ended June 30, 2019, the management fee was equivalent to an annual rate of 0.75% of the Fund's average daily net assets.

Funds Management has retained the services of a subadviser to provide daily portfolio management to the Fund. The fee for subadvisory services is borne by Funds Management. WellsCap is the subadviser to the Fund and is entitled to receive a fee from Funds Management at an annual rate starting at 0.45% and declining to 0.35% as the average daily net assets of the Fund increase.

### Administration fee

Under a class-level administration agreement, Funds Management provides class-level administrative services to the Fund, which includes paying fees and expenses for services provided by the transfer agent, sub-transfer agents, omnibus account servicers and record-keepers. As compensation for its services under the class-level administration agreement, Funds Management receives a class level administration fee of 0.08% which is calculated based on the average daily net assets of Class 2 shares.

Funds Management has contractually waived and/or reimbursed management and administration fees to the extent necessary to maintain certain net operating expense ratios for the Fund. When Class 2 of the Fund has exceeded its expense cap, Funds Management has waived fees and/or reimbursed expenses from fund-level expenses on a proportionate basis and then from class specific expenses. When only certain classes exceed their expense caps, waivers and/or reimbursements are applied against class specific expenses before fund-level expenses. Funds Management has committed through April 30, 2020 to waive fees and/or reimburse expenses to the extent necessary to cap the Fund's expenses at 1.15% for Class 2 shares. Prior to or after the commitment expiration date, the cap may be increased or the commitment to maintain the cap may be terminated only with the approval of the Board of Trustees.

### Distribution fee

The Trust has adopted a distribution plan for Class 2 shares of the Fund pursuant to Rule 12b-1 under the 1940 Act. A distribution fee is charged to Class 2 shares and paid to Wells Fargo Funds Distributor, LLC, the principal underwriter, at an annual rate of 0.25% of the average daily net assets of Class 2 shares.

### Interfund transactions

The Fund may purchase or sell portfolio investment securities to certain other Wells Fargo affiliates pursuant to Rule 17a-7 under the 1940 Act and under procedures adopted by the Board of Trustees. The procedures have been designed to ensure that these interfund transactions, which do not incur broker commissions, are effected at current market prices.

## 5. INVESTMENT PORTFOLIO TRANSACTIONS

Purchases and sales of investments, excluding U.S. government obligations (if any) and short-term securities, for the six months ended June 30, 2019 were $59,001,637 and $61,213,120, respectively.

## 6. BANK BORROWINGS

The Trust, Wells Fargo Master Trust and Wells Fargo Funds Trust (excluding the money market funds) are parties to a $280,000,000 revolving credit agreement whereby the Fund is permitted to use bank borrowings for temporary or emergency purposes, such as to fund shareholder redemption requests. Interest under the credit agreement is charged to the Fund based on a borrowing rate equal to the higher of the Federal Funds rate in effect on that day plus 1.25% or the overnight LIBOR rate in effect on that day plus 1.25%. In addition, an annual commitment fee equal to 0.25% of the unused balance is allocated to each participating fund.

For the six months ended June 30, 2019, there were no borrowings by the Fund under the agreement.

## 7. CONCENTRATION RISK

Concentration risk result from exposure to a limited number of sectors. A fund that invests a substantial portion of its assets in any sector may be more affected by changes in that sector than would be a fund whose investments are not heavily weighted in any sector.

## 8. INDEMNIFICATION

Under the Trust's organizational documents, the officers and Trustees have been granted certain indemnification rights against certain liabilities that may arise out of performance of their duties to the Trust. Additionally, in the normal course of business, the Trust may enter into contracts with service providers that contain a variety of indemnification clauses. The Trust's maximum exposure under these arrangements is dependent on future claims that may be made against the Fund and, therefore, cannot be estimated.

## 9. NEW ACCOUNTING PRONOUNCEMENT

In August 2018, FASB issued Accounting Standards Update ("ASU") No. 2018-13, Fair Value Measurement (Topic 820) *Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement.* ASU 2018-13 updates the disclosure requirements for fair value measurements by modifying or removing certain disclosures and adding certain new disclosures. The amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. Management has adopted the removal and modification of disclosures early, as permitted, and will adopt the additional new disclosures at the effective date.

## PROXY VOTING INFORMATION

A description of the policies and procedures used to determine how to vote proxies relating to portfolio securities is available, upon request, by calling **1-800-260-5969**, visiting our website at **wfam.com**, or visiting the SEC website at sec.gov. Information regarding how the proxies related to portfolio securities were voted during the most recent 12-month period ended June 30 is available on the website at **wfam.com** or by visiting the SEC website at sec.gov.

## QUARTERLY PORTFOLIO HOLDINGS INFORMATION

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q or Form N-PORT, which is available by visiting the SEC website at sec.gov. Those forms 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.

## BOARD OF TRUSTEES AND OFFICERS

Each of the Trustees and Officers[1] listed in the table below acts in identical capacities for each fund in the Wells Fargo family of funds, which consists of 152 mutual funds comprising the Wells Fargo Funds Trust, Wells Fargo Variable Trust, Wells Fargo Master Trust and four closed-end funds (collectively the "Fund Complex"). This table should be read in conjunction with the Prospectus and the Statement of Additional Information[2]. The mailing address of each Trustee and Officer is 525 Market Street, 12th Floor, San Francisco, CA 94105. Each Trustee and Officer serves an indefinite term, however, each Trustee serves such term until reaching the mandatory retirement age established by the Trustees.

## Independent Trustees

| Name and year of birth | Position held and length of service* | Principal occupations during past five years or longer | Current other public company or investment company directorships |
|---|---|---|---|
| William R. Ebsworth (Born 1957) | Trustee, since 2015 | Retired. From 1984 to 2013, equities analyst, portfolio manager, research director and chief investment officer at Fidelity Management and Research Company in Boston, Tokyo, and Hong Kong, and retired in 2013 as Chief Investment Officer of Fidelity Strategic Advisers, Inc. where he led a team of investment professionals managing client assets. Prior thereto, Board member of Hong Kong Securities Clearing Co., Hong Kong Options Clearing Corp., the Thailand International Fund, Ltd., Fidelity Investments Life Insurance Company, and Empire Fidelity Investments Life Insurance Company. Audit Committee Chair and Investment Committee Chair of the Vincent Memorial Hospital Endowment (non-profit organization). Mr. Ebsworth is a CFA® charterholder. | N/A |
| Jane A. Freeman (Born 1953) | Trustee, since 2015; Chair Liaison, since 2018 | Retired. From 2012 to 2014 and 1999 to 2008, Chief Financial Officer of Scientific Learning Corporation. From 2008 to 2012, Ms. Freeman provided consulting services related to strategic business projects. Prior to 1999, Portfolio Manager at Rockefeller & Co. and Scudder, Stevens & Clark. Board member of the Harding Loevner Funds from 1996 to 2014, serving as both Lead Independent Director and chair of the Audit Committee. Board member of the Russell Exchange Traded Funds Trust from 2011 to 2012 and the chair of the Audit Committee. Ms. Freeman is a Board Member of The Ruth Bancroft Garden (non-profit organization). She is also an inactive Chartered Financial Analyst. | N/A |
| Isaiah Harris, Jr. (Born 1952) | Trustee, since 2009; Audit Committee Chairman, since 2019 | Retired. Chairman of the Board of CIGNA Corporation since 2009, and Director since 2005. From 2003 to 2011, Director of Deluxe Corporation. Prior thereto, President and CEO of BellSouth Advertising and Publishing Corp. from 2005 to 2007, President and CEO of BellSouth Enterprises from 2004 to 2005 and President of BellSouth Consumer Services from 2000 to 2003. Emeritus member of the Iowa State University Foundation Board of Governors. Emeritus Member of the Advisory Board of Iowa State University School of Business. Advisory Board Member, Palm Harbor Academy (private school). Advisory Board Member, Child Evangelism Fellowship (non-profit). Mr. Harris is a certified public accountant (inactive status). | CIGNA Corporation |
| Judith M. Johnson (Born 1949) | Trustee, since 2008; Audit Committee Chairman, from 2009 to 2018 | Retired. Prior thereto, Chief Executive Officer and Chief Investment Officer of Minneapolis Employees Retirement Fund from 1996 to 2008. Ms. Johnson is an attorney, certified public accountant and a certified managerial accountant. | N/A |

| Name and year of birth | Position held and length of service* | Principal occupations during past five years or longer | Current other public company or investment company directorships |
|---|---|---|---|
| David F. Larcker (Born 1950) | Trustee, since 2009 | James Irvin Miller Professor of Accounting at the Graduate School of Business, Stanford University, Director of the Corporate Governance Research Initiative and Senior Faculty of The Rock Center for Corporate Governance since 2006. From 2005 to 2008, Professor of Accounting at the Graduate School of Business, Stanford University. Prior thereto, Ernst & Young Professor of Accounting at The Wharton School, University of Pennsylvania from 1985 to 2005. | N/A |
| Olivia S. Mitchell (Born 1953) | Trustee, since 2006; Nominating and Governance Committee Chairman, since 2018 | International Foundation of Employee Benefit Plans Professor, Wharton School of the University of Pennsylvania since 1993. Director of Wharton's Pension Research Council and Boettner Center on Pensions & Retirement Research, and Research Associate at the National Bureau of Economic Research. Previously, Cornell University Professor from 1978 to 1993. | N/A |
| Timothy J. Penny (Born 1951) | Trustee, since 1996; Chairman, since 2018 | President and Chief Executive Officer of Southern Minnesota Initiative Foundation, a non-profit organization, since 2007. Member of the Board of Trustees of NorthStar Education Finance, Inc., a non-profit organization, since 2007. | N/A |
| James G. Polisson (Born 1959) | Trustee, since 2018 | Retired. Chief Marketing Officer, Source (ETF) UK Services, Ltd, from 2015 to 2017. From 2012 to 2015, Principal of The Polisson Group, LLC, a management consulting, corporate advisory and principal investing company. Chief Executive Officer and Managing Director at Russell Investments, Global Exchange Traded Funds from 2010 to 2012. Managing Director of Barclays Global Investors from 1998 to 2010 and Global Chief Marketing Officer for iShares and Barclays Global Investors from 2000 to 2010. Trustee of the San Francisco Mechanics' Institute, a non-profit organization, from 2013 to 2015. Board member of the Russell Exchange Traded Fund Trust from 2011 to 2012. Director of Barclays Global Investors Holdings Deutschland GmbH from 2006 to 2009. Mr. Polisson is an attorney and has a retired status with the Massachusetts and District of Columbia Bar Associations. | N/A |

* Length of service dates reflect the Trustee's commencement of service with the Trust's predecessor entities, where applicable.

## Officers

| Name and year of birth | Position held and length of service | Principal occupations during past five years or longer |
|---|---|---|
| Andrew Owen (Born 1960) | President, since 2017 | Executive Vice President of Wells Fargo & Company and Head of Affiliated Managers, Wells Fargo Asset Management, since 2014. In addition, Mr. Owen is currently President, Chief Executive Officer and Director of Wells Fargo Funds Management, LLC since 2017. Prior thereto, Executive Vice President responsible for marketing, investments and product development for Wells Fargo Funds Management, LLC, from 2009 to 2014. |
| Jeremy DePalma[1] (Born 1974) | Treasurer, since 2012 | Senior Vice President of Wells Fargo Funds Management, LLC since 2009. Senior Vice President of Evergreen Investment Management Company, LLC from 2008 to 2010 and head of the Fund Reporting and Control Team within Fund Administration from 2005 to 2010. |
| Alexander Kymn (Born 1973) | Secretary and Chief Legal Officer, since 2018 | Senior Company Counsel of Wells Fargo Bank, N.A. since 2018 (previously Senior Counsel from 2007 to 2018). Vice President of Wells Fargo Funds Management, LLC from 2008 to 2014. |
| Michael H. Whitaker (Born 1967) | Chief Compliance Officer, since 2016 | Senior Vice President and Chief Compliance Officer since 2016. Senior Vice President and Chief Compliance Officer for Fidelity Investments from 2007 to 2016. |
| David Berardi (Born 1975) | Assistant Treasurer, since 2009 | Vice President of Wells Fargo Funds Management, LLC since 2009. Vice President of Evergreen Investment Management Company, LLC from 2008 to 2010. Manager of Fund Reporting and Control for Evergreen Investment Management Company, LLC from 2004 to 2010. |

[1] Jeremy DePalma acts as Treasurer of 87 funds and Assistant Treasurer of 65 funds in the Fund Complex.

[2] The Statement of Additional Information includes additional information about the Trustees and is available, without charge, upon request, by calling **1-800-260-5969** or by visiting the website at **wfam.com**.

# BOARD CONSIDERATION OF INVESTMENT MANAGEMENT AND SUB-ADVISORY AGREEMENTS:

## Wells Fargo VT Discovery Fund

Under the Investment Company Act of 1940 (the "1940 Act"), the Board of Trustees (the "Board") of Wells Fargo Variable Trust (the "Trust") must determine annually whether to approve the continuation of the Trust's investment management and sub-advisory agreements. In this regard, at an in-person meeting held on May 21-22, 2019 (the "Meeting"), the Board, all the members of which have no direct or indirect interest in the investment management and sub-advisory agreements and are not "interested persons" of the Trust, as defined in the 1940 Act (the "Independent Trustees"), reviewed and approved for Wells Fargo VT Discovery Fund (the "Fund"): (i) an investment management agreement (the "Management Agreement") with Wells Fargo Funds Management, LLC ("Funds Management"); and (ii) an investment sub-advisory agreement (the "Sub-Advisory Agreement") with Wells Capital Management Incorporated (the "Sub-Adviser"), an affiliate of Funds Management. The Management Agreement and the Sub-Advisory Agreement are collectively referred to as the "Advisory Agreements."

At the Meeting, the Board considered the factors and reached the conclusions described below relating to the selection of Funds Management and the Sub-Adviser and the approval of the Advisory Agreements. Prior to the Meeting, including at an in-person meeting in April 2019, the Trustees conferred extensively among themselves and with representatives of Funds Management about these matters. Also, the Board has adopted a team-based approach, with each team consisting of a sub-set of Trustees, to assist the full Board in the discharge of its duties in reviewing investment performance and other matters throughout the year. The Independent Trustees were assisted in their evaluation of the Advisory Agreements by independent legal counsel, from whom they received separate legal advice and with whom they met separately.

In providing information to the Board, Funds Management and the Sub-Adviser were guided by a detailed set of requests for information submitted to them by independent legal counsel on behalf of the Independent Trustees at the start of the Board's annual contract renewal process earlier in 2019. In considering and approving the Advisory Agreements, the Trustees considered the information they believed relevant, including but not limited to the information discussed below. The Board considered not only the specific information presented in connection with the Meeting, but also the knowledge gained over time through interaction with Funds Management and the Sub-Adviser about various topics. In this regard, the Board reviewed reports of Funds Management at each of its quarterly meetings, which included, among other things, portfolio reviews and investment performance reports. In addition, the Board and the teams mentioned above confer with portfolio managers at various times throughout the year. The Board did not identify any particular information or consideration that was all-important or controlling, and each individual Trustee may have attributed different weights to various factors.

After its deliberations, the Board unanimously approved the continuation of the Advisory Agreements for a one-year term and determined that the compensation payable to Funds Management and the Sub-Adviser under each of the Advisory Agreements was reasonable. The Board considered the approval of the Advisory Agreements for the Fund as part of its consideration of agreements for funds across the complex, but its approvals were made on a fund-by-fund basis. The following summarizes a number of important, but not necessarily all, factors considered by the Board in support of its approvals.

## Nature, extent and quality of services

The Board received and considered various information regarding the nature, extent and quality of services provided to the Fund by Funds Management and the Sub-Adviser under the Advisory Agreements. This information included a description of the investment advisory services and Fund-level administrative services covered by the Management Agreement, as well as, among other things, a summary of the background and experience of senior management of Wells Fargo Asset Management ("WFAM"), of which Funds Management and the Sub-Adviser are a part, a summary of investments made in the business of WFAM, a summary of certain organizational and personnel changes involving Funds Management and the Sub-Adviser, and a description of Funds Management's and the Sub-Adviser's business continuity planning programs and of their approaches to data privacy and cybersecurity. The Board received and reviewed information about Funds Management's role as administrator of the Fund's liquidity risk management program. The Board also considered the qualifications, background, tenure and responsibilities of each of the portfolio managers primarily responsible for the day-to-day portfolio management of the Fund.

The Board evaluated the ability of Funds Management and the Sub-Adviser to attract and retain qualified investment professionals, including research, advisory and supervisory personnel. The Board further considered the compliance programs and compliance records of Funds Management and the Sub-Adviser. In addition, the Board took into account the full range of services provided to the Fund by Funds Management and its affiliates.

## Fund investment performance and expenses

The Board considered the investment performance results for the Fund over various time periods ended December 31, 2018. The Board considered these results in comparison to the investment performance of funds in a universe that was determined by Broadridge Inc. (“Broadridge”) to be similar to the Fund (the “Universe”), and in comparison to the Fund’s benchmark index and to other comparative data. Broadridge is an independent provider of investment company data. The Board received a description of the methodology used by Broadridge to select the mutual funds in the performance Universe. The Board noted that the investment performance of the Fund was higher than the average investment performance of the Universe for the three- and ten-year periods under review, but lower than the average investment performance of the Universe for the one- and five-year periods under review. The Board also noted that the investment performance of the Fund was higher than its benchmark index, the Russell 2500™ Growth Index, for the one-, three- and ten-year periods under review, but lower than its benchmark for the five-year period under review.

The Board received information concerning, and discussed factors contributing to, the underperformance of the Fund relative to the Universe and benchmark for the periods identified above. The Board took note of the explanations for the relative underperformance during these periods, including with respect to investment strategies and market factors that affected the Fund’s investment performance.

The Board also received and considered information regarding the Fund’s net operating expense ratio and its various components, including actual management fees, custodian and other non-management fees, and Rule 12b-1 and non-Rule 12b-1 shareholder service fees. The Board considered this ratio in comparison to the median ratios of funds in an expense group that was determined by Broadridge to be similar to the Fund (the “Group”). The Board received a description of the methodology used by Broadridge to select the mutual funds in the expense Group and an explanation of how funds comprising expense Group and their expense ratios may vary from year-to-year. Based on the Broadridge reports, the Board noted that the net operating expense ratio of the Fund was in range of the median net operating expense ratio of the expense Group.

The Board took into account the Fund’s investment performance and expense information provided to it among the factors considered in deciding to re-approve the Advisory Agreements.

## Investment management and sub-advisory fee rates

The Board reviewed and considered the contractual fee rates payable by the Fund to Funds Management under the Management Agreement, as well as the contractual fee rates payable by the Fund to Funds Management for class-level administrative services under a Class-Level Administration Agreement, which include, among other things, class-level transfer agency and sub-transfer agency costs (collectively, the “Management Rate”). The Board also reviewed and considered the contractual investment sub-advisory fee rates that are payable by Funds Management to the Sub-Adviser for investment sub-advisory services.

Among other information reviewed by the Board was a comparison of the Fund’s Management Rate with the average contractual investment management fee rates of funds in the expense Group at a common asset level as well as transfer agency costs of the funds in the expense Group. The Board noted that the Management Rate of the Fund was in range of the sum of these average rates for the Fund’s expense Group.

The Board also received and considered information about the portion of the total management fee that was retained by Funds Management after payment of the fee to the Sub-Adviser for sub-advisory services. In assessing the reasonableness of this amount, the Board received and evaluated information about the nature and extent of responsibilities retained and risks assumed by Funds Management and not delegated to or assumed by the Sub-Adviser, and about Funds Management’s on-going oversight services. Given the affiliation between Funds Management and the Sub-Adviser, the Board ascribed limited relevance to the allocation of fees between them.

The Board also received and considered information about the nature and extent of services offered and fee rates charged by Funds Management and the Sub-Adviser to other types of clients with investment strategies similar to those of the Fund. In this regard, the Board received information about the significantly greater scope of services, and compliance, reporting and other legal burdens and risks of managing proprietary mutual funds compared with those associated with managing assets of other types of clients, including third-party sub-advised fund clients and non-mutual fund clients such as institutional separate accounts.

Based on its consideration of the factors and information it deemed relevant, including those described here, the Board determined that the compensation payable to Funds Management under the Management Agreement and to the Sub-Adviser under the Sub-Advisory Agreement was reasonable.

## Profitability

The Board received and considered information concerning the profitability of Funds Management, as well as the profitability of both WFAM and Wells Fargo & Co. ("Wells Fargo") from providing services to the fund family as a whole. The Board noted that the Sub-Adviser's profitability information with respect to providing services to the Fund and other funds in the family was subsumed in the WFAM and Wells Fargo profitability analysis.

Funds Management reported on the methodologies and estimates used in calculating profitability, including a description of the methodology used to allocate certain expenses. Among other things, the Board noted that the levels of profitability reported on a fund-by-fund basis varied widely, depending on factors such as the size, type and age of fund. Based on its review, the Board did not deem the profits reported by Funds Management, WFAM or Wells Fargo from services provided to the Fund to be at a level that would prevent it from approving the continuation of the Advisory Agreements.

## Economies of scale

The Board received and considered information about the potential for Funds Management to experience economies of scale in the provision of management services to the Fund, the difficulties of calculating economies of scale at an individual fund level, and the extent to which potential scale benefits are shared with shareholders. The Board noted the existence of breakpoints in the Fund's management fee structure, which operate generally to reduce the Fund's expense ratios as the Fund grows in size. The Board considered that in addition to management fee breakpoints, Funds Management shares potential economies of scale from its management business in a variety of ways, including through fee waiver and expense reimbursement arrangements, services that benefit shareholders, competitive management fee rates set at the outset without regard to breakpoints, and investments in the business intended to enhance services available to shareholders.

The Board concluded that Funds Management's arrangements with respect to the Fund, including contractual breakpoints, constituted a reasonable approach to sharing potential economies of scale with the Fund and its shareholders.

## Other benefits to Funds Management and the Sub-Adviser

The Board received and considered information regarding potential "fall-out" or ancillary benefits received by Funds Management and its affiliates, including the Sub-Adviser, as a result of their relationships with the Fund. Ancillary benefits could include, among others, benefits directly attributable to other relationships with the Fund and benefits potentially derived from an increase in Funds Management's and the Sub-Adviser's business as a result of their relationships with the Fund. The Board noted that various affiliates of Funds Management may receive distribution-related fees, shareholder servicing payments and sub-transfer agency fees in respect of shares sold or held through them and services provided.

The Board also reviewed information about soft dollar credits earned and utilized by the Sub-Adviser, fees earned by Funds Management and the Sub-Adviser from managing a private investment vehicle for the fund family's securities lending collateral, and commissions earned by an affiliated broker from portfolio transactions.

Based on its consideration of the factors and information it deemed relevant, including those described here, the Board did not find that any ancillary benefits received by Funds Management and its affiliates, including the Sub-Adviser, were unreasonable.

## Conclusion

At the Meeting, after considering the above-described factors and based on its deliberations and its evaluation of the information described above, the Board unanimously approved the continuation of the Advisory Agreements for a one-year term and determined that the compensation payable to Funds Management and the Sub-Adviser under each of the Advisory Agreements was reasonable.

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WELLS FARGO Asset Management

## For more information

More information about Wells Fargo Funds is available free upon request. To obtain literature, please write, visit the Fund's website, or call:

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Website: **wfam.com**
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