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December 31, 2004

Annual Report

NML Variable Annuity Account C

Group Combination Annuity Contracts for Retirement Plans:

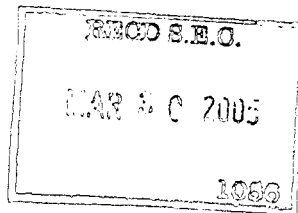
- Self-Employed Persons and Their Employees
- Qualified Corporate Retirement Plans

Northwestern Mutual
Series Fund Inc. Fidelity
VIP Mid Cap Portfolio and
Russell Investment Funds

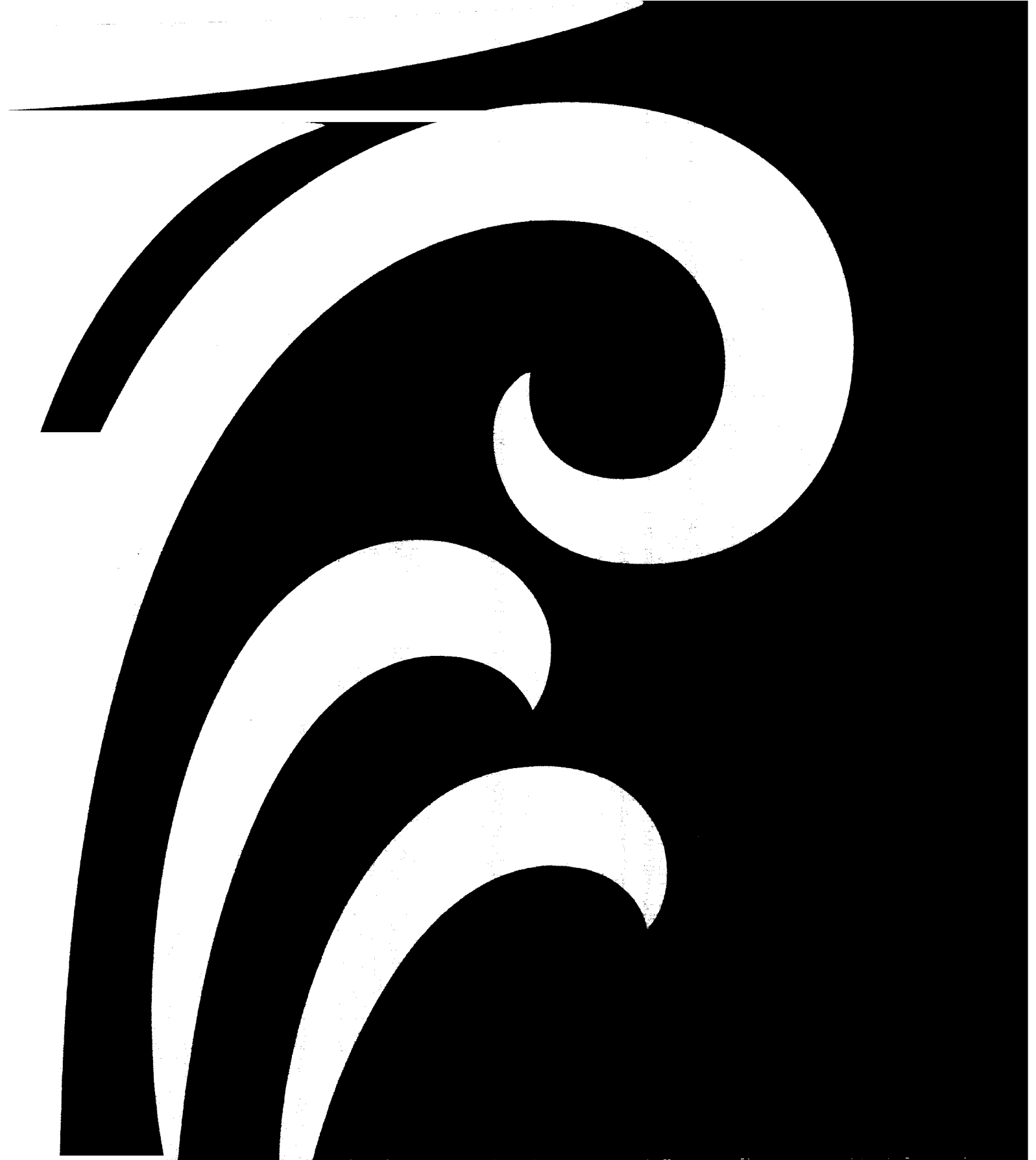
Northwestern Mutual
Life Insurance Company
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Milwaukee, WI 53202
414.224.4444
www.northwesternmutual.com

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12-31-04



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Letter to Contract Owners

December 31, 2004

During the first three quarters of 2004, the stock market produced lackluster results, as concerns over rising oil prices, a weakening dollar, the Iraqi war, and the presidential election put a drag on the economy and the market. In the final quarter of the year, however, the market experienced a dramatic turnaround. The elections in November and a significant drop in oil prices beginning in October served as catalysts for the change, and gains made during the fourth quarter accounted for most of the return in the stock market for the year.

The S&P 500 Index (a widely used benchmark of U.S. equity performance) gained 10.88% for the year. Small capitalization stocks and international equities were the strongest performers, as measured by the S&P SmallCap 600 Index, which gained 22.65%, and the EAFE Index, which was up 20.70% for the year.

The bond market also posted positive returns for the year, with high yield bonds significantly outperforming investment grade bonds. The total return of the Merrill Lynch Domestic Master Index (a broad-based bond index) was 4.34% for the year, while high yield bonds returned 10.85%, as measured by the Lehman High Yield Intermediate Market Index (an index of non-investment grade bonds).

Credit spreads narrowed during the year as bond investors looking for higher yields took on more credit risk rather than locking in longer term bonds. Yields on Treasuries remained basically unchanged over the year, as investors seeking higher yields put money in more speculative areas of the bond market. The 10-year Treasury started the year at 4.25% and ended at 4.22%; the 30-year Treasury bond began the year at 4.89%, and finished at 4.83%.

Through most of the first half of 2004, short-term interest rates remained at 45-year lows, where they had been unchanged since mid 2003. Beginning in June, however, the Federal Reserve began a series of interest rate increases, and by year end the federal funds rate stood at 2.25%, up from 1.00%. The Federal Reserve has indicated that it will continue to increase rates in 2005, although a variety of economic variables could impact its decisions on rates in the coming months.

Although the consensus calls for 3.0% to 3.5% growth in GDP in 2005, a number of concerns compel us to urge caution. The fiscal and monetary policies that have stimulated the economy over the past two years are behind

us, with the immediate impact of the 2003 tax cuts already factored into the economy and the Fed signaling its intention to raise rates further.

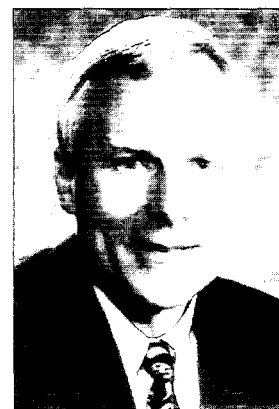
This late in the business cycle, we believe investors would be wise to moderate their expectations for returns in both stocks and bonds. The market is currently "priced for perfection." If the year ahead turns out to be less than perfect, some asset classes could give back returns of the past few years. We believe we are closer to the time when investors should hold on to past returns rather than chase yields and returns. All markets now have had a nice run up and most asset classes are rich compared to historic standards. We believe a well-balanced portfolio — one diversified between stocks and bonds, as well as among foreign and domestic investments — is the wisest course of action.

As always, at Northwestern Mutual we take very seriously our commitment to the highest quality investment management and ethical business practices. We appreciate the trust you have placed in our organization, and will work steadfastly in 2005 to preserve that trust.



A handwritten signature in cursive script that reads "Edward J. Zore".

Edward J. Zore
President and Chief
Executive Officer



A handwritten signature in cursive script that reads "Mark G. Doll".

Mark G. Doll
Senior Vice President
Investments

The Northwestern Mutual Life Insurance Company
(Northwestern Mutual)

 **Northwestern Mutual®**

How To Get More Information

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1-800-519-4665

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WWW.NMFN.COM

For information about Northwestern Mutual visit us on our Website.

Performance Summary for NML Variable Annuity Account C

Northwestern Mutual Series Fund, Inc. - Annual Report

Fidelity VIP Mid Cap Portfolio - Annual Report

(This report follows the end of the Northwestern Mutual Series Fund, Inc.)

Russell Investment Funds - Annual Report

(This report follows the end of the Fidelity VIP Mid Cap Portfolio.)

NML Variable Annuity Account C Financial Statements

You should carefully consider the investment objectives, risks, expenses and charges of the investment company before you invest. Your Northwestern Mutual Investment Services Registered Representative can provide you with a contract and fund prospectus that will contain the information noted above, and other important information that you should read carefully before you invest or send money.

Performance Summary as of December 31, 2004

Front Load Contract

Total return(j) at unit value (as of 12/31/04)	Small Cap Growth Stock Division	T. Rowe Price Small Cap Value Division	Aggressive Growth Stock Division	International Growth Division	Franklin Templeton International Equity Division	AllianceBernstein Mid Cap Value Division	Index 400 Stock Division
1 year	12.72%	18.19%	8.37%	15.37%	13.22%	12.59%	10.31%
5 years	22.43%	—	(11.66%)	—	9.17%	—	44.43%
Annualized	4.13%	—	(2.45%)	—	1.77%	—	7.63%
10 years(g)	—	—	146.92%	—	111.93%	—	—
Annualized	—	—	9.46%	—	7.80%	—	—
Since division inception in Account C	126.96%(b)	51.09%(c)	—	25.39%(c)	—	49.28%(d)	62.30%(b)
Annualized	15.54%	12.83%	—	6.84%	—	27.14%	8.91%
Since portfolio inception(a)	—	—	—	—	—	—	—
Annualized	—	—	—	—	—	—	—
Current Yield(h)	—	—	—	—	—	—	—

Simplified Load Contract

1 year	17.19%	22.89%	12.67%	19.95%	17.72%	17.06%	14.69%
5 years	24.26%	—	(10.34%)	—	10.84%	—	46.59%
Annualized	4.44%	—	(2.16%)	—	2.08%	—	7.95%
10 years(g)	—	—	143.11%	—	108.80%	—	—
Annualized	—	—	9.29%	—	7.64%	—	—
Since division inception in Account C	129.42%(b)	54.84%(c)	—	28.46%(c)	—	54.58%(d)	64.08%(b)
Annualized	15.76%	13.64%	—	7.60%	—	29.83%	9.12%
Since portfolio inception(a)	—	—	—	—	—	—	—
Annualized	—	—	—	—	—	—	—
Current Yield(h)	—	—	—	—	—	—	—

The performance data quoted represents past performance. Past performance is historical and does not guarantee future performance. Investment return and principal value will fluctuate, so that shares, when redeemed, may be worth more or less than their original cost. Current performances may be lower or higher than the performance data quoted. For the most recent month-end performance information visit www.nmfn.com.

All total return figures are for divisions of NML Variable Annuity Account C and are based on the change in unit value, which reflects expenses, such as account charges and fees applied at the contract level; figures for the Front Load Contract reflect a maximum sales load of 4.5%; figures for the Simplified Load Contract reflect an installation fee in the amount of \$750. The data reflects an initial contract value of \$25,000, the minimum size. Performance data quoted represents past results and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that, when redeemed, it may be worth more or less than the original cost. Current performance may be lower or higher than the performance data quoted. Performance for other separate accounts will differ.

- (a) Returns stated are as of the inception date of the portfolio which precedes availability in Account C. See the following footnotes for portfolio inception dates:
- (b) Inception date of 4/30/99.
- (c) Inception date of 7/31/01.
- (d) Inception date of 5/1/03.
- (e) Inception date of this division in the Account C was 5/1/03. Actual fund inception was 12/28/98. Performance quoted prior to 5/1/03 is based on actual investment experience, adjusted for expenses of the product and premium charges.
- (f) Inception date of this division in Account C was 4/30/99. Actual fund inception was 1/2/97. Performance quoted prior to 4/30/99 is based on actual investment experience of the fund, adjusted for expenses of the product and premium charges.
- (g) 10 year return for this division in Account C.
- (h) For the seven-day period ended December 31, 2004, the Money Market Portfolio's yield was 2.17% and was equivalent to a compound effective yield of 2.20%. The seven-day yield does not include deductions that are included in the separate accounts. The yield quotation more closely reflects the current earnings of the Money Market Portfolio than the total return quotation.
- (j) Returns shown include any fee waivers in effect and deductions for all Fund expenses. In the absence of fee waivers, total return would be less. For the Money Market Division, total returns include the effect of a fee waiver from December 2, 2002 through December 31, 2004, which ended on December 31, 2004.

Janus Capital Appreciation Division	Growth Stock Division	Large Cap Core Stock Division	Capital Guardian Domestic Equity Division	T. Rowe Price Equity Income Division	Index 500 Stock Division	Asset Allocation Division	Balanced Division	High Yield Bond Division	Select Bond Division
13.55%	1.21%	2.62%	10.87%	9.26%	5.03%	4.39%	2.37%	6.99%	(0.62%)
—	(22.34%)	(23.59%)	—	—	(17.65%)	—	5.21%	30.88%	39.27%
—	(4.93%)	(5.24%)	—	—	(3.81%)	—	1.02%	5.53%	6.85%
—	139.58%	100.24%	—	—	178.36%	—	134.57%	100.61%	92.35%
—	9.13%	7.19%	—	—	10.78%	—	8.90%	7.21%	6.76%
35.55%(d)	—	—	13.00%(c)	34.50%(d)	—	8.92%(c)	—	—	—
20.00%	—	—	3.64%	19.44%	—	2.53%	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
18.06%	5.23%	6.70%	15.27%	13.60%	9.20%	8.53%	6.43%	11.24%	3.33%
—	(21.14%)	(22.42%)	—	—	(16.40%)	—	6.78%	32.88%	41.37%
—	(4.64%)	(4.95%)	—	—	(3.52%)	—	1.32%	5.85%	7.17%
—	136.09%	97.27%	—	—	174.37%	—	131.15%	97.64%	89.48%
—	8.97%	7.03%	—	—	10.62%	—	8.74%	7.05%	6.60%
40.38%(d)	—	—	15.79%(c)	39.29%(d)	—	11.59%(c)	—	—	—
22.54%	—	—	4.38%	21.97%	—	3.26%	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—

Front Load Contract

Total return(j) at unit value (as of 12/31/04)	Money Market Division	Fidelity VIP Mid Cap Division	Russell Multi-Style Equity Division	Russell Aggressive Equity Division	Russell Non-U.S. Division	Russell Core Bond Division	Russell Real Estate Securities Division
1 year	(3.76%)	18.27%	4.19%	8.86%	12.24%	(0.69%)	27.97%
5 years	6.57%	84.42%(e)	(24.36%)	21.26%	(14.08%)	32.06%	143.69%
Annualized	1.28%	13.02%	(5.43%)	3.93%	(2.99%)	5.72%	19.50%
10 years(g)	34.39%	—	—	—	—	—	—
Annualized	3.00%	—	—	—	—	—	—
Since division inception in Account C	—	65.66%(e)	(18.97%)(f)	33.90%(f)	7.24%(f)	30.40%(f)	125.07%(b)
Annualized	—	35.33%	(3.64%)	5.28%	1.24%	4.79%	15.37%
Since portfolio inception(a)	—	181.35%(e)	43.77%(f)	72.10%(f)	27.32%(f)	51.69%(f)	—
Annualized	—	18.79%	4.65%	7.03%	3.07%	5.35%	—
Current Yield(h)	2.20%	—	—	—	—	—	—

Simplified Load Contract

1 year	0.06%	22.97%	8.32%	13.18%	16.70%	3.25%	33.05%
5 years	8.21%	87.20%(e)	(23.23%)	23.08%	(12.79%)	34.08%	147.38%
Annualized	1.59%	13.36%	(5.15%)	4.24%	(2.70%)	6.04%	19.86%
10 years(g)	32.32%	—	—	—	—	—	—
Annualized	2.84%	—	—	—	—	—	—
Since division inception in Account C	—	71.55%(e)	(18.11%)(f)	35.35%(f)	8.39%(f)	31.82%(f)	127.51%(b)
Annualized	—	38.19%	(3.46%)	5.48%	1.43%	4.99%	15.59%
Since portfolio inception(a)	—	183.77%(e)	43.29%(f)	71.52%(f)	26.90%(f)	51.19%(f)	—
Annualized	—	18.96%	4.60%	6.98%	3.02%	5.31%	—
Current Yield(h)	2.20%	—	—	—	—	—	—

All total return figures are for divisions of NML Variable Annuity Account C and are based on the change in unit value, which reflects expenses, such as account charges and fees applied at the contract level; figures for the Front Load Contract reflect a maximum sales load of 4.5%; figures for the Simplified Load Contract reflect an installation fee in the amount of \$750. The data reflects an initial contract value of \$25,000, the minimum size. Performance data quoted represents past results and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that, when redeemed, it may be worth more or less than the original cost. Current performance may be lower or higher than the performance data quoted. Performance for other separate accounts will differ.

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- (g) 10 year return for this division in Account C.
- (h) For the seven-day period ended December 31, 2004, the Money Market Portfolio's yield was 2.17% and was equivalent to a compound effective yield of 2.20%. The seven-day yield does not include deductions that are included in the separate accounts. The yield quotation more closely reflects the current earnings of the Money Market Portfolio than the total return quotation.
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Annual Report December 31, 2004

Northwestern Mutual[®]

Northwestern Mutual Series Fund, Inc.

A Series Fund Offering Eighteen Portfolios

- Small Cap Growth Stock Portfolio
- T. Rowe Price Small Cap Value Portfolio
- Aggressive Growth Stock Portfolio
- International Growth Portfolio
- Franklin Templeton International Equity Portfolio
- AllianceBernstein Mid Cap Value Portfolio
- Index 400 Stock Portfolio
- Janus Capital Appreciation Portfolio
- Growth Stock Portfolio
- Large Cap Core Stock Portfolio
- Capital Guardian Domestic Equity Portfolio
- T. Rowe Price Equity Income Portfolio
- Index 500 Stock Portfolio
- Asset Allocation Portfolio
- Balanced Portfolio
- High Yield Bond Portfolio
- Select Bond Portfolio
- Money Market Portfolio

Northwestern Mutual Series Fund, Inc.

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Small Cap Growth Stock Portfolio

Objective:

Maximum long-term appreciation of capital

Portfolio Strategy:

Strive for the highest possible rate of capital appreciation by investing in companies with potential for rapid growth.

Net Assets:

\$442 million

The Small Cap Growth Stock Portfolio seeks long-term growth of capital. The Portfolio seeks to achieve this objective by investing in emerging companies with rapidly growing revenues and earnings supported by financial strength and capable management. Holdings are smaller companies with a median market capitalization of approximately \$1 billion; the range of market capitalization is generally between \$200 million and \$3 billion. A strong orientation to quality and a commitment to broad diversification mean that this Portfolio is generally less risky and less volatile than many small-capitalization growth portfolios. In evaluating individual companies, factors such as the growth rates of revenues and earnings, opportunities for margin expansion, financial strength and quality of management are important variables.

The investment process involves detailed studies of individual companies. Factors evaluated include the growth rates of revenues and earnings, opportunities for margin expansion, financial strength and quality of management. Since growth stock portfolios tend to react strongly to changes in financial and economic markets, as well as to changes in the prospects for individual companies, returns of this Portfolio can vary considerably from time to time. A higher level of risk (with risk defined as variability of returns over time) is accepted for the potential of greater long-term returns.

For the year ended December 31, 2004, the Small Cap Growth Portfolio returned 18.80%, outperforming the Russell 2000 Index, which had a return of 18.44%, but lagging the S&P SmallCap 600 Index, which had a return of 22.65%. (These indices are unmanaged, cannot be invested in directly, and do not include administrative expenses or sales charges.) The Portfolio outperformed its peer group, Small-Cap Growth Funds, which had an average return of 11.71% for the year ended December 31, 2004, according to Lipper Analytical Services, Inc. ("Lipper"), an independent mutual fund ranking agency. The Portfolio's underperformance relative to the S&P SmallCap 600 Index was the result of both industry weightings and stock selection, and reflects the Portfolio's emphasis on financially sound, profitable small-cap stocks with predictable future earnings streams, at a time when lower quality issues performed better.

Following an extraordinary year in 2003, small-capitalization stocks once again rewarded investors in 2004. During 2004, however, the major portion of the gain in small-cap stocks, as well as in the overall stock market, was realized in the fourth quarter. Earlier in the year, the stock market produced lackluster results as economic concerns, including rising oil prices, the weakening U.S. dollar, the war in Iraq and the upcoming presidential election, hampered performance. Indications that the Federal Reserve might start raising interest rates — after a long period in which U.S. consumers had benefited from rates at 45-year lows — also had a dampening effect on the market. In the fourth quarter, however, especially following the elections in November, the stock market experienced a dramatic rally, in which all asset classes gained. The S&P 500

Index (a gauge of broad stock market performance), which returned 10.88% for the year, gained 9.23% in the fourth quarter alone.

Higher beta stocks — particularly small-cap and international stocks — experienced an even more dramatic lift during the fourth quarter. Small-capitalization stocks, as measured by the S&P 600 SmallCap Index, returned 22.65% for the year ended December 31, 2004, with 13.00% of that gain coming in the fourth quarter. International stocks, as measured by the EAFE (Europe, Australasia, Far East) Index, gained 20.70% for the year, 15.36% of which came in the fourth quarter. The drive for beta in the fourth quarter pushed up prices of lower quality issues as investors demonstrated a willingness to take on more risk in order to make up for the lower returns earlier in the year.

Differences in performance versus the benchmarks during 2004 resulted mainly from individual security selection, and secondarily from sector selection. Positive impacts in the Portfolio included an overweight position in Consumer Discretionary stocks, as well as good stock selection within the sector. Holdings that added the most performance in the Portfolio in 2004 included Aaron Rents (which rents and sells residential and office furniture, and is one of the Portfolio's top ten holdings), Pinnacle Entertainment (a diversified gaming company), Guitar Center Inc. (a musical instrument retailer), Polaris Industries (manufactures snowmobiles and other outdoor vehicles), and Getty Images (a media company).

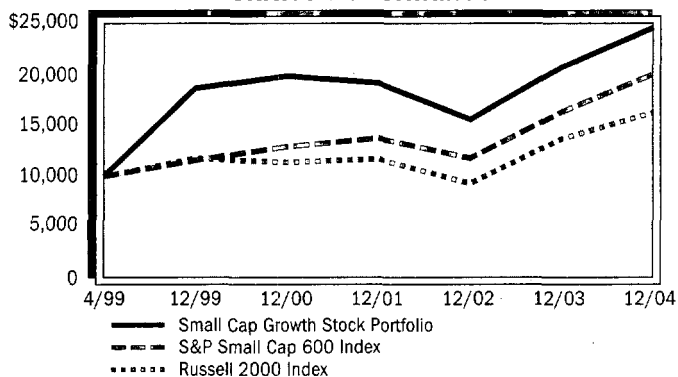
Several Technology holdings also performed very well for the year. Cognizant Technology Solution (which provides custom information technology management services, and is one of the Portfolio's top ten holdings), Cree Inc. (manufactures carbide-based semiconductor materials) and Verint Systems Inc. (provides analytical software-based solutions) all posted very good returns. Consumer Staple stocks United Natural Foods Inc. and Peet's Coffee & Tea also posted excellent gains.

Negative impacts on the Portfolio during 2004 included poor performance in several Technology stocks, especially semiconductor-related Genesis Microchip (designs integrated circuits), Entegris (provides materials management solutions to microelectronics industry), and Plexus Corp. Inc. (provides product realization services to original equipment manufacturers). In addition, although the Portfolio was slightly overweight in the Energy sector, it did not benefit as much from the substantial run-up in Energy prices because most of its holdings were in service stocks and not in energy production stocks.

Heading into 2005, we look for earnings growth for small-capitalization stocks to outpace larger companies. We do not expect, however, that a rising tide will lift all boats equally. While sector positioning can be an important driver of overall performance, stock selection will be important in 2005. We continue to remain focused on individual stock selection, looking for companies with above-average growth potential, and we believe we should continue to find attractive candidates for the portfolio.

Small Cap Growth Stock Portfolio

Relative Performance



Average Annual Total Return For Periods Ended December 31, 2004

	1 Year	5 Years	Since Inception*
Small Cap Growth Stock Portfolio	18.80%	5.78%	17.24%
S&P Small Cap 600 Index	22.65%	11.60%	13.06%
Russell 2000 Index	18.44%	6.68%	8.97%
Small Cap Growth Funds Lipper Average	11.71%	-1.42%	-

*inception date of 4/30/99

The performance data quoted represents past performance. Past performance is historical and does not guarantee future performance. Investment return and principal value will fluctuate, so that 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. For the most recent month-end performance information, visit www.nmfn.com.

This chart assumes an initial investment of \$10,000 made on 4/30/99 (commencement of the Portfolio's operations). Returns shown reflect fee waivers, deductions for management and other portfolio expenses, and reinvestment of all dividends. In the absence of fee waivers, total return would be reduced. Returns exclude deductions for separate account sales loads and account fees. Total returns, which reflect deduction of charges for the separate account, are shown beginning on page iv of the Performance Summary of the Separate Account report.

Since the Portfolio invests primarily in small capitalization issues, the indices that best reflect the portfolio's performance are the Standard and Poor's (S&P) SmallCap 600 Index and Russell 2000 Index. The indices cannot be invested in directly and do not include sales charges.

The Standard & Poors SmallCap 600 Index is an unmanaged index of 600 selected common stocks of smaller U.S.-based companies compiled by Standard & Poor's Corporation. As of December 31, 2004, the 600 companies in the composite had a median market capitalization of \$754.0 million and total market value of \$522.8 billion. The SmallCap 600 represents approximately 2.8% of the market value of Compustat's database of over 9,381 equities.

The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index. The Russell 3000 Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization. These 3,000 companies represent approximately 98% of the investable U.S. equity market. As of the latest reconstitution, the average market capitalization of companies in the Russell 3000 was approximately \$4.4 billion; the median market capitalization was approximately \$822.4 million. Market capitalization of companies in the Index ranged from \$175.8 million to \$317.8 billion.

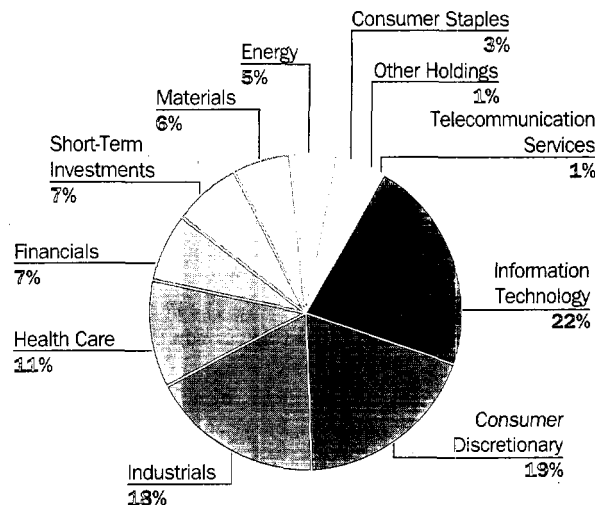
The Russell 2000 Index represents approximately 8% of the total market capitalization of the Russell 3000 Index. As of the latest reconstitution, the average market capitalization of companies in the Russell 2000 was approximately \$607.1 million; the median market capitalization was approximately \$496.4 million. The largest company in the Index had an approximate market capitalization of \$1.6 billion.

The Lipper Variable Insurance Products (VIP) Small Cap Growth Funds Average is calculated by Lipper Analytical Services, Inc. and reflects the average investment return of portfolios underlying variable life and annuity products. The category consists of Funds that, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) less than 250% of the dollar-weighted median of the smallest 500 of the middle 1,000 securities of the S&P SuperComposite 1500 Index. Small-cap growth funds typically have an above average price-to-earnings ratio, price-to-book ratio, and three-year sales-per-share growth value, compared to the S&P SmallCap 600 Index. Source: Lipper, Inc.

Top 10 Equity Holdings 12/31/04

Company	% of Total Net Assets
Knight Transportation, Inc.	2.4%
Aaron Rents, Inc.	2.4%
Airgas, Inc.	2.3%
Guitar Center, Inc.	2.2%
Cognizant Technology Solutions Corp. - Class A	2.2%
WMS Industries, Inc.	2.2%
Amphenol Corp. - Class A	2.1%
Ventana Medical Systems, Inc.	2.1%
MSC Industrial Direct Co., Inc. - Class A	2.0%
Minerals Technologies, Inc.	2.0%

Sector Allocation 12/31/04



Sector Allocation is based on Net Assets.

Sector Allocation and Top 10 Holdings are subject to change.

Investing in small company stocks involves a greater degree of risk than investing in medium or large company stocks.

Expense Example

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management 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 period and held for the entire period (July 1, 2004 to December 31, 2004).

Actual Expenses

The first 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 first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second 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 transactional costs. Therefore, the second 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 transactional costs were included, your costs would have been higher.

	Beginning Account Value July 1, 2004	Ending Account Value December 31, 2004	Expenses Paid During Period July 1, 2004 to December 31, 2004*
Actual	\$1,000.00	\$1,090.60	\$2.97
Hypothetical (5% return before expenses)	\$1,000.00	\$1,021.99	\$2.87

* Expenses are equal to the Fund's annualized expense ratio of 0.56%, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period).

Small Cap Growth Stock Portfolio

Northwestern Mutual Series Fund, Inc.

Schedule of Investments

December 31, 2004

Common Stocks (93.3%)	Shares/ \$ Par	Value \$ (000's)	Common Stocks (93.3%)	Shares/ \$ Par	Value \$ (000's)
Consumer Discretionary (18.6%)			Industrials (18.0%)		
Aaron Rents, Inc.	425,992	10,649	*Arbinet Holdings, Inc.	12,900	321
*Digital Theater Systems, Inc.	197,100	3,968	Brady Corp. — Class A	35,600	2,227
*Getty Images, Inc.	69,550	4,789	C.H. Robinson Worldwide, Inc.	138,050	7,665
*Guitar Center, Inc.	188,000	9,906	The Corporate Executive Board Co.	118,900	7,959
*Hibbett Sporting Goods, Inc.	92,200	2,453	*Corrections Corp. of America	209,750	8,484
*McCormick & Schmick's Seafood Restaurants, Inc.	201,017	3,387	*DiamondCluster International, Inc.	352,800	5,056
*O'Reilly Automotive, Inc.	98,400	4,433	*Forward Air Corp.	168,600	7,536
Orient-Express Hotel, Ltd. — Class A	425,837	8,759	*HouseValues, Inc.	17,766	267
*Pinnacle Entertainment, Inc.	408,900	8,088	*Intersections, Inc.	217,700	3,755
Polaris Industries, Inc.	126,900	8,632	Knight Transportation, Inc.	434,678	10,781
Station Casinos, Inc.	139,550	7,631	*Marlin Business Services, Inc.	216,920	4,121
*WMS Industries, Inc.	288,400	9,673	MSC Industrial Direct Co., Inc. — Class A	251,800	9,060
Total		82,368	*Resources Connection, Inc.	43,400	2,357
Consumer Staples (3.0%)			*School Specialty, Inc.	181,800	7,010
*Peet's Coffee & Tea, Inc.	249,900	6,615	Strayer Education, Inc.	27,200	2,986
*United Natural Foods, Inc.	212,800	6,618	Total		79,585
Total		13,233	Information Technology (22.1%)		
Energy (4.5%)			*Amphenol Corp. — Class A	250,700	9,211
*FMC Technologies, Inc.	157,900	5,084	*Cogent, Inc.	94,600	3,122
*Grant Prideco, Inc.	263,000	5,274	*Cognizant Technology Solutions Corp. — Class A	230,300	9,748
*Grey Wolf, Inc.	836,700	4,409	*Cree, Inc.	77,600	3,110
*National-Oilwell, Inc.	148,250	5,232	*Digital River, Inc.	124,100	5,164
Total		19,999	*Entegris, Inc.	550,600	5,478
Financials (6.9%)			*Essex Corp.	113,900	2,306
BankAtlantic Bancorp, Inc. — Class A	150,400	2,993	*Euronet Worldwide, Inc.	307,300	7,996
Boston Private Financial Holdings, Inc.	128,200	3,611	*Genesis Microchip, Inc.	353,700	5,737
*Community Bancorp	68,600	2,099	*iPayment, Inc.	86,800	4,298
First Republic Bank	70,500	3,737	*Kanbay International, Inc.	31,800	995
Investors Financial Services Corp.	111,550	5,575	Lipman Electronic Engineering Ltd.	8,300	232
Placer Sierra Bancshares	94,700	2,693	*MKS Instruments, Inc.	297,350	5,516
*Portfolio Recovery Associates, Inc.	114,400	4,716	*O2Micro International, Ltd.	382,400	4,375
*Silicon Valley Bancshares	111,900	5,015	*Plexus Corp.	146,400	1,905
Total		30,439	*ScanSource, Inc.	73,100	4,544
Health Care (11.4%)			*Tekelec	257,900	5,271
*Impax Laboratories, Inc.	212,900	3,381	*Tessera Technologies, Inc.	183,900	6,843
*Kyphon, Inc.	84,500	2,177	*THQ, Inc.	100,600	2,308
LCA-Vision, Inc.	48,300	1,130	*Verint Systems, Inc.	195,700	7,110
*Nabi Biopharmaceuticals	142,400	2,086	*Westell Technologies, Inc. — Class A	397,000	2,700
*Pediatrix Medical Group, Inc.	46,600	2,985	Total		97,969
*Providence Service Corp.	317,586	6,660	Materials (6.2%)		
*Psychiatric Solutions, Inc.	192,700	7,045	Airgas, Inc.	382,950	10,152
*Radiation Therapy Services, Inc.	170,600	2,900	Minerals Technologies, Inc.	135,600	9,045
*Renal Care Group, Inc.	154,900	5,575	Silgan Holdings, Inc.	133,800	8,156
*ResMed, Inc.	83,200	4,252	Total		27,353
*Salix Pharmaceuticals, Ltd.	82,150	1,445	Other Holdings (1.1%)		
*Ventana Medical Systems, Inc.	142,100	9,092	iShares Russell 2000 Index Fund	36,700	4,749
*Wright Medical Group, Inc.	64,000	1,824	Total		4,749
Total		50,552			

Small Cap Growth Stock Portfolio

	Shares/ \$ Par	Value \$ (000's)
Common Stocks (93.3%)		
Telecommunication Services (1.5%)		
*Alamosa Holdings, Inc.	364,900	4,551
*JAMDAT Mobile, Inc.	96,000	1,982
Total		6,533
Total Common Stocks (Cost: \$320,455)		
		412,780
Money Market Investments (6.7%)		
Federal Government & Agencies (1.0%)		
(b)Federal National Mortgage Assoc., 2.34%, 3/28/05	4,500,000	4,475
Total		4,475
Finance Lessors (2.3%)		
(b)Ranger Funding Co., LLC, 2.34%, 1/13/05	5,000,000	4,996
(b)Thunder Bay Funding, Inc., 2.34%, 1/24/05	5,000,000	4,993
Total		9,989
Finance Services (1.1%)		
(b)Preferred Receivable Funding, 2.34%, 1/13/05	5,000,000	4,996
Total		4,996
Personal Credit Institutions (2.2%)		
Rabobank Financial Corp., 2.17%, 1/4/05	5,000,000	4,999
USAA Capital Corp., 2.28%, 1/13/05	5,000,000	4,996
Total		9,995

	Shares/ \$ Par	Value \$ (000's)
Money Market Investments (6.7%)		
Short Term Business Credit (0.1%)		
CXC Inc., 2.20%, 1/3/05	400,000	400
Total		400
Total Money Market Investments (Cost: \$29,855)		
		29,855
Total Investments (100.0%) (Cost \$350,310)(a)		
		442,635
Other Assets, Less Liabilities (0.0%)		
		(215)
Total Net Assets (100.0%)		
		442,420

* Non-Income Producing

(a) At December 31, 2004 the aggregate cost of securities for federal tax purposes (in thousands) was \$350,536 and the net unrealized appreciation of investments based on that cost was \$92,099 which is comprised of \$96,753 aggregate gross unrealized appreciation and \$4,654 aggregate gross unrealized depreciation.

(b) All or a portion of the securities have been committed as collateral for open futures positions or when-issued securities. Information regarding open futures contracts as of period end is summarized below.

Issuer (000's)	Number of Contracts	Expiration Date	Unrealized Appreciation/ Depreciation (000's)
Russell 2000 Index			
Futures	47	3/05	\$497
(Total Notional Value at December 31, 2004, \$14,870)			

The Accompanying Notes are an Integral Part of the Financial Statements

T. Rowe Price Small Cap Value Portfolio

Objective:
Long-term growth of capital

Portfolio Strategy:
Invest in small companies whose common stocks are believed to be undervalued.

Net Assets:
\$200 million

The T. Rowe Price Small Cap Value Portfolio invests in companies with market capitalizations in the range of the S&P SmallCap 600 whose current stock prices do not appear to reflect their underlying value. For this Portfolio, value is defined broadly, with consideration given to stock price relative to long-term growth prospects and business franchises, in addition to typical value measures such as assets, current earnings and cash flow. The major emphasis is on selection of individual stocks, with secondary consideration given to industry weightings in order to keep the Portfolio broadly diversified among economic sectors.

U.S. stocks rose moderately in 2004, extending the previous year's brisk gains. After beginning the year on a strong note, stocks struggled to make headway as economic growth moderated amid rising short-term interest rates, surging energy costs, and a heated presidential campaign. Stock prices rose as oil prices backed away from their late-October peak of \$55 per barrel, and gains accelerated following the re-election of President Bush. By year-end, several major indices were at or near their highest levels of the year. Small- and mid-cap stocks outperformed their larger counterparts. As measured by various Russell indices, growth stocks lagged value across all market capitalizations.

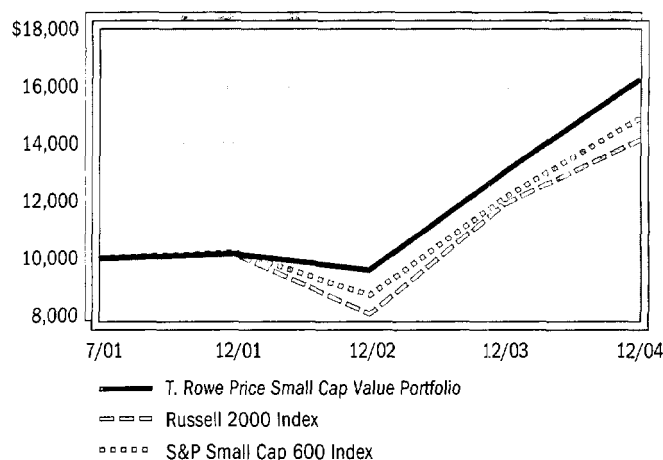
The T. Rowe Price Small Cap Value Portfolio outpaced the S&P 600 Index over the twelve months ended December 31, 2004. The Portfolio benefited throughout most of the year from the market's renewed focus on earnings, cash flow, and sales growth.

The Portfolio's returns were helped considerably by our investments in the industrials and business services sectors. The air freight and road and rail industries were beneficiaries of increased economic activity as more raw materials and finished goods moved around the world. Transportation services firms Landstar Systems and UTi Worldwide benefited from strong demand for shipping. Other areas of strength included our regional and community bank holdings, including East West Bancorp, Texas Regional Bancshare, and First Republic Bank of San Francisco. Hotel REITs benefited from the rebound in business travel. LaSalle Hotel Properties and Innkeepers USA Trust helped results.

Relatively few of the Portfolio's holdings lost ground over the past year, although some lagged well behind the benchmark. Restaurant holding Ruby Tuesday was squeezed by rising commodity prices. Unifi, a diversified textile yarn producer, lost ground as its proposed joint venture in China fell through. Tetra Technologies, an oil services company, hurt relative performance as the hurricanes disrupted its offshore oil business. Oil equipment company Lone Star Technologies, on the other hand, was a very strong performer for the Portfolio.

Business fundamentals continue to improve as economic strength drives earnings growth. Significant risks remain, however, including higher inflation, widening budget and trade deficits, a weak U.S. dollar, and geopolitical concerns. Small-caps have beaten large-caps for the past six years, and while growth stocks outperformed their value counterparts during the fourth quarter of 2004, value maintains a significant five-year advantage. Given that we are near the upper end of historic relative valuation levels for smaller-cap stocks, we are cautious. We continue to find good risk/reward candidates among small- and mid-caps, but they are somewhat harder to come by than in previous years.

Relative Performance



	Average Annual Total Return For Periods Ended December 31, 2004	
	1 Year	Since Inception*
T. Rowe Price Small Cap Value Portfolio	24.57%	15.10%
S&P Small Cap 600 Index	22.65%	12.21%
Russell 2000 Index	18.44%	10.50%
Small Cap Core Funds Lipper Average	17.47%	-

*inception date of 7/31/01

The performance data quoted represents past performance. Past performance is historical and does not guarantee future performance. Investment return and principal value will fluctuate, so that 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. For the most recent month-end performance information, visit www.nmfn.com.

This chart assumes an initial investment of \$10,000 made on 7/31/01 (commencement of the Portfolio's operations). Returns shown reflect fee waivers, deductions for management and other portfolio expenses, and reinvestment of all dividends. In the absence of fee waivers, total return would be reduced. Returns exclude deductions for separate account sales loads and account fees. Total returns, which reflect deduction of charges for the separate account, are shown beginning on page iv of the Performance Summary of the Separate Account report.

The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index. The Russell 3000 Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization. These 3,000 companies represent approximately 98% of the investable U.S. equity market. As of the latest reconstitution, the average market capitalization of companies in the Russell 3000 was approximately \$4.4 billion; the median market capitalization was approximately \$822.4 million. Market capitalization of companies in the Index ranged from \$175.8 million to \$317.8 billion. These indices are unmanaged, cannot be invested in directly, and do not include administrative expenses or sales charges.

The Russell 2000 Index represents approximately 8% of the total market capitalization of the Russell 3000 Index. As of the latest reconstitution, the average market capitalization of companies in the Russell 2000 was approximately \$607.1 million; the median market capitalization was approximately \$496.4 million. The largest company in the Index had an approximate market capitalization of \$1.6 billion.

The Standard & Poors SmallCap 600 Index is an unmanaged index of 600 selected common stocks of smaller U.S.-based companies compiled by Standard & Poor's Corporation. As of December 31, 2004, the 600 companies in the composite had a median market capitalization of \$754.0 million and total market value of \$522.8 billion. The SmallCap 600 represents approximately 2.8% of the market value of Compustat's database of over 9,381 equities. These indices are unmanaged, cannot be invested in directly, and do not include administrative expenses or sales charges.

The Lipper Variable Insurance Products (VIP) Small Cap Core Funds Average is calculated by Lipper Analytical Services, Inc. and reflects the average investment return of portfolios underlying variable life and annuity products. The category consists of Funds that, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) less than 250% of the dollar-weighted median of the smallest 500 of the middle 1,000 securities of the S&P SuperComposite 1500 Index. Small-cap core funds have more latitude in the companies in which they invest. These funds typically have an average price-to-earnings ratio, price-to-book ratio, and three-year sales-per-share growth value, compared to the S&P SmallCap 600 Index. Source: Lipper, Inc.

T. Rowe Price Small Cap Value Portfolio

Top 10 Equity Holdings 12/31/04

Company	% of Total Net Assets
Landstar System, Inc.	2.3%
Texas Regional Bancshares, Inc. - Class A	1.7%
East West Bancorp, Inc.	1.6%
Aaron Rents, Inc.	1.5%
First Republic Bank	1.4%
Silicon Valley Bancshares	1.3%
ProAssurance Corp.	1.3%
Matthews International Corp. - Class A	1.2%
Franklin Electric Co., Inc.	1.2%
RARE Hospitality International, Inc.	1.1%

Part of the Northwestern Mutual Series Fund, Inc. The investment advisor for the fund is Mason Street Advisors, LLC.

Investing in small company stocks involves a greater degree of risk than investing in medium or large company stocks.

Actual Expenses

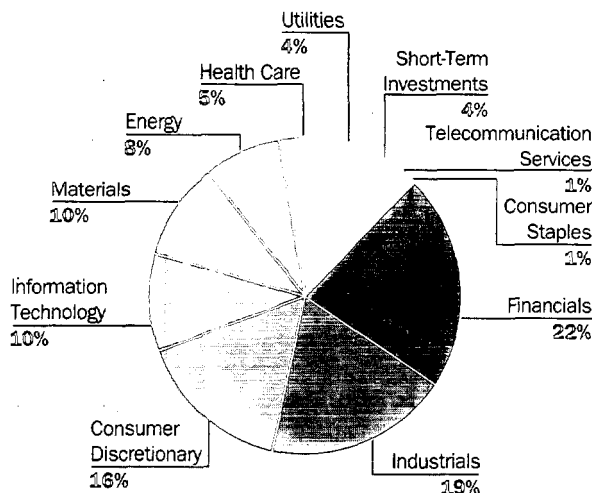
The first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an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

Hypothetical Example for Comparison Purposes

The second 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 transactional costs. Therefore, the second 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 transactional costs were included, your costs would have been higher.

Sector Allocation 12/31/04



Sector Allocation is based on Net Assets.

Sector Allocation and Top 10 Holdings are subject to change.

Expense Example

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management 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 period and held for the entire period (July 1, 2004 to December 31, 2004).

	Beginning Account Value July 1, 2004	Ending Account Value December 31, 2004	Expenses Paid During Period July 1, 2004 to December 31, 2004*
Actual	\$1,000.00	\$1,120.70	\$4.65
Hypothetical (5% return before expenses)	\$1,000.00	\$1,020.45	\$4.43

* Expenses are equal to the Fund's annualized expense ratio of 0.87%, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period).

T. Rowe Price Small Cap Value Portfolio

Northwestern Mutual Series Fund, Inc.

Schedule of Investments

December 31, 2004

Common Stocks (96.5%)	Shares/ \$ Par	Value \$ (000's)	Common Stocks (96.5%)	Shares/ \$ Par	Value \$ (000's)
Consumer Discretionary (15.7%)			Consumer Staples continued		
Aaron Rents, Inc.	122,700	3,067	Nash-Finch Co.	12,400	468
Aaron Rents, Inc. — Class A	4,725	105	*Wild Oats Markets, Inc.	42,300	373
*AnnTaylor Stores Corp.	13,800	297	Total		3,136
*Big Lots, Inc.	8,200	99	Energy (7.7%)		
*Cablevision Systems Corp.	17,100	426	Energy (7.7%)		
Centerplate Inc.	1,700	22	*Atwood Oceanics, Inc.	21,100	1,099
*Cox Radio Inc. — Class A	7,800	129	CARBO Ceramics, Inc.	20,000	1,380
CSS Industries, Inc.	37,400	1,188	*Cooper Cameron Corp.	4,000	215
*Culp, Inc.	30,400	206	Diamond Offshore Drilling, Inc.	26,800	1,073
Dillard's, Inc. — Class A	11,900	320	*Forest Oil Corp.	53,450	1,696
Dow Jones & Co., Inc.	10,900	469	*Grant Prideco, Inc.	17,900	359
*Entercom Communications Corp. — Class A	12,200	438	*Hanover Compressor Co.	18,000	254
Family Dollar Stores, Inc.	13,600	425	*Lone Star Technologies, Inc.	25,400	850
Fred's, Inc.	65,150	1,134	*Magnum Hunter Resources, Inc.	74,100	956
The Gap, Inc.	21,400	452	Murphy Oil Corp.	2,500	201
Hancock Fabrics, Inc.	52,700	546	Penn Virginia Corp.	48,200	1,956
Haverty Furniture Companies, Inc.	86,300	1,597	*Petroleum Geo-Services-ADR	1,500	93
Hearst-Argyle Television, Inc.	2,200	58	*TETRA Technologies, Inc.	57,950	1,641
*IAC/InterActiveCorp	5,700	157	*Todco — Class A	76,400	1,407
*Journal Register Co.	58,000	1,121	*W-H Energy Services, Inc.	36,100	807
Mattel, Inc.	35,700	696	*Whiting Petroleum Corp.	45,800	1,385
Matthews International Corp. — Class A	67,000	2,466	Total		15,372
Meredith Corp.	5,800	314	Financials (21.7%)		
The New York Times Co. — Class A	9,900	404	Allied Capital Corp.	51,400	1,328
Newell Rubbermaid, Inc.	17,400	421	American Capital Strategies, Ltd.	21,500	717
Outback Steakhouse, Inc.	7,800	357	*Ameritrade Holding Corp.	15,000	213
Pearson PLC-Sponsored ADR	30,000	365	Aon Corp.	14,500	346
*RARE Hospitality International, Inc.	70,450	2,245	Apartment Investment and Management Co. — Class A	7,100	274
Reuters Group PLC-Spons ADR	6,400	275	AXIS Capital Holdings Ltd.	14,100	386
Ruby Tuesday, Inc.	36,500	952	Bedford Property Investors, Inc.	39,100	1,111
*Saga Communications, Inc. — Class A	64,500	1,087	Brown & Brown, Inc.	11,500	501
Saks, Inc.	5,900	86	The Charles Schwab Corp.	41,900	501
*Scholastic Corp.	9,900	366	Citizens Banking Corp.	1,600	55
SCP Pool Corp.	61,225	1,953	Commerce Bancshares, Inc.	3,811	191
Sinclair Broadcast Group, Inc. — Class A	18,600	171	East West Bancorp, Inc.	74,200	3,113
Skyline Corp.	23,400	955	Equity Office Properties Trust	3,300	96
Stanley Furniture Co., Inc.	25,500	1,146	Federated Investors, Inc. — Class B	7,900	240
*Stein Mart, Inc.	117,320	2,001	First Financial Fund, Inc.	64,900	1,394
*TBC Corp.	68,400	1,902	First Horizon National Corp.	3,700	160
Tribune Co.	8,300	350	First Republic Bank	51,000	2,703
*Unifi, Inc.	11,600	44	Genworth Financial, Inc.	16,100	435
*Univision Communications, Inc. — Class A	7,900	231	Glenborough Realty Trust, Inc.	30,000	638
The Washington Post Co. — Class B	219	215	Huntington Bancshares, Inc.	13,900	344
*Weight Watchers International, Inc.	2,600	107	Innkeepers USA Trust	43,400	616
Total		31,365	Janus Capital Group, Inc.	20,800	350
Consumer Staples (1.6%)			Jefferson-Pilot Corp.	6,300	327
Archer-Daniels-Midland Co.	2,500	56	Kilroy Realty Corp.	48,600	2,078
Campbell Soup Co.	19,500	583	*LaBranche & Co., Inc.	15,200	136
Casey's General Stores, Inc.	71,300	1,293	Lasalle Hotel Properties	47,700	1,518
H.J. Heinz Co.	9,300	363	Loews Corp.	2,000	141
			*Markel Corp.	5,100	1,856

T. Rowe Price Small Cap Value Portfolio

Common Stocks (96.5%)	Shares/ \$ Par	Value \$ (000's)	Common Stocks (96.5%)	Shares/ \$ Par	Value \$ (000's)
Financials continued			Industrials continued		
Marsh & McLennan Companies, Inc.	18,700	615	ElkCorp	43,900	1,502
Midland Co.	33,300	1,041	Equifax, Inc.	13,700	385
MoneyGram International, Inc.	18,348	388	Franklin Electric Co., Inc.	55,900	2,362
Netbank, Inc.	65,300	680	*FTI Consulting, Inc.	48,700	1,026
Northern Trust Corp.	8,800	428	G & K Services, Inc. — Class A	38,200	1,659
*Ohio Casualty Corp.	11,200	260	*Genesee & Wyoming, Inc.	34,900	982
The PNC Financial Services Group, Inc.	8,000	460	Herman Miller, Inc.	7,400	204
*ProAssurance Corp.	64,100	2,507	IDEX Corp.	46,000	1,863
Protective Life Corp.	3,700	158	*Insituform Technologies, Inc. — Class A	72,400	1,641
Radian Group, Inc.	5,700	303	JLG Industries, Inc.	92,100	1,808
Regions Financial Corp.	6,900	246	*Kirby Corp.	41,500	1,842
SAFECO Corp.	5,200	272	*Laidlaw International, Inc.	13,800	295
Scottish Annuity & Life Holdings, Ltd.	41,300	1,070	*Landstar System, Inc.	62,200	4,581
*Silicon Valley Bancshares	58,900	2,640	*Macquarie Infrastructure Co. Trust	26,600	781
The St. Paul Travelers Companies, Inc.	17,530	650	Manpower, Inc.	10,000	483
Strategic Hotel Capital, Inc.	38,500	635	McGrath Rentcorp	37,600	1,640
Sun Communities, Inc.	36,600	1,473	Nordson Corp.	44,200	1,771
Synovus Financial Corp.	15,700	449	Raytheon Co.	9,400	365
Texas Regional Bancshares, Inc. — Class A	101,450	3,316	Rockwell Collins, Inc.	7,000	276
*Triad Guaranty, Inc.	35,500	2,147	The ServiceMaster Co.	9,400	130
UnumProvident Corp.	21,200	380	Southwest Airlines Co.	26,200	427
Washington Real Estate Investment Trust	37,200	1,260	Thomas Industries, Inc.	43,900	1,752
XL Capital, Ltd. — Class A	3,900	303	Union Pacific Corp.	6,100	410
Total		43,449	UTI Worldwide, Inc.	30,740	2,091
Health Care (5.5%)			*Waste Connections, Inc.	31,900	1,093
*Accredo Health, Inc.	1,000	28	Woodward Governor Co.	12,800	917
AmerisourceBergen Corp.	8,100	475	Total		39,323
Analogic Corp.	11,600	520	Information Technology (9.9%)		
Arrow International, Inc.	21,530	667	*ATMI, Inc.	35,200	793
*Barr Pharmaceuticals, Inc.	1,400	64	AVX Corp.	22,500	284
*Bone Care International, Inc.	59,500	1,657	*Bearingpoint, Inc.	62,700	503
*Chiron Corp.	13,900	463	Belden CDT, Inc.	62,700	1,455
*Community Health Systems, Inc.	1,800	50	*The BISYS Group, Inc.	21,600	355
*Diversa Corp.	85,700	749	*BMC Software, Inc.	20,400	379
*Exelixis Inc.	76,400	726	*Ceridian Corp.	2,500	46
*HEALTHSOUTH Corp.	91,300	573	*Exar Corp.	62,500	887
*Human Genome Sciences, Inc.	11,700	141	Helix Technology Corp.	64,300	1,118
*Lexicon Genetics Inc.	107,500	834	*Intuit, Inc.	7,400	326
*Lincare Holdings, Inc.	12,400	529	*Jabil Circuit, Inc.	11,400	292
McKesson Corp.	6,300	198	*KLA-Tencor Corp.	1,700	79
*MedImmune, Inc.	18,600	504	Landauer, Inc.	18,300	836
Owens & Minor, Inc.	75,100	2,116	*Littelfuse, Inc.	40,000	1,366
*Tenet Healthcare Corp.	45,100	495	*McAfee, Inc.	1,800	52
Valeant Pharmaceuticals International	4,300	113	Method Electronics, Inc. — Class A	42,800	550
*Vertex Pharmaceuticals, Inc.	9,200	97	Molex, Inc. — Class A	17,500	466
Total		10,999	*MPS Group, Inc.	139,900	1,716
Industrials (19.6%)			*Mykrolis Corp.	80,000	1,134
*Allied Waste Industries, Inc.	28,400	264	*Novellus Systems, Inc.	19,300	538
Ameron International Corp.	21,700	822	*Packeteer, Inc.	91,700	1,325
C&D Technologies, Inc.	49,600	845	*Progress Software Corp.	59,500	1,389
*Casella Waste Systems, Inc. — Class A	89,900	1,316	*SPSS, Inc.	52,225	817
CSX Corp.	12,700	509	Startek, Inc.	29,200	831
*Dollar Thrifty Automotive Group, Inc.	47,100	1,422	*Synopsys, Inc.	20,300	398
EDO Corp.	25,900	822	*Tellabs, Inc.	5,400	46
Electro Rent Corp.	72,900	1,037	*Websense, Inc.	36,300	1,842
			Total		19,823

T. Rowe Price Small Cap Value Portfolio

Common Stocks (96.5%)	Shares/ \$ Par	Value \$ (000's)	Common Stocks (96.5%)	Shares/ \$ Par	Value \$ (000's)
Materials (9.9%)			Utilities continued		
Abitibi-Consolidated Inc.	25,200	174	Otter Tail Corp.	24,100	615
Agrium, Inc.	3,100	52	Pinnacle West Capital Corp.	3,400	151
Airgas, Inc.	57,700	1,530	TECO Energy, Inc.	39,600	607
AptarGroup, Inc.	37,250	1,967	Vectren Corp.	32,000	858
Arch Chemicals, Inc.	42,500	1,223	Xcel Energy, Inc.	4,000	73
Bowater, Inc.	10,800	475	Total		<u>7,606</u>
Carpenter Technology Corp.	30,200	1,765	Total Common Stocks		
Chesapeake Corp.	18,500	502	(Cost: \$143,616)		<u>193,073</u>
Deltic Timber Corp.	31,800	1,350	Convertible Corporate Debt (0.0%)		
Domtar, Inc.	32,800	396	Utilities (0.0%)		
Florida Rock Industries, Inc.	32,025	1,906	Xcel Energy Inc.,		
Gibraltar Industries, Inc.	65,276	1,542	7.50%, 11/21/07 144A	2,000	3
Great Lakes Chemical Corp.	9,200	262	Total Convertible Corporate Debt		
Harmony Gold Mining Co.-Sponsored ADR	30,500	283	(Cost: \$3)		<u>3</u>
MacDermid, Inc.	24,100	870	Money Market Investments (4.0%)		
MeadWestvaco Corp.	10,500	356	Other Holdings (4.0%)		
*Meridian Gold, Inc.	68,800	1,305	Reserve Investment Fund	8,045,168	8,045
*The Mosaic Co.	6,500	106	Total Money Market Investments		
Myers Industries, Inc.	48,767	624	(Cost: \$8,045)		<u>8,045</u>
*Nalco Holding Co.	25,300	494	Total Investments (100.5%)		
Potlatch Corp.	2,200	111	(Cost \$151,664)(a)		<u>201,121</u>
*Symyx Technologies, Inc.	31,900	960	Other Assets, Less Liabilities (-0.5%)		<u>(978)</u>
Wausau-Mosinee Paper Corp.	86,500	1,545	Total Net Assets (100.0%)		<u>\$200,143</u>
Total		<u>19,798</u>	* Non-Income Producing		
Telecommunication Services (1.1%)			ADR — American Depository Receipt		
AT&T Corp.	3,700	71	144A after the name of a security represents a security exempt		
*Crown Castle International Corp.	900	15	from registration under Rule 144A of the securities Act of		
*Qwest Communications International, Inc.	85,400	379	1933. These securities may be resold as transactions exempt		
Telephone and Data Systems, Inc.	4,700	362	from registration, normally to qualified institutional buyers. At		
Telus Corp.	5,400	156	December 31, 2004, the value of these securities was \$3,		
*US Cellular Corp.	1,400	63	representing 0% of net assets.		
*Wireless Facilities, Inc.	122,600	1,156	(a) At December 31, 2004 the aggregate cost of securities for		
Total		<u>2,202</u>	federal tax purposes (in thousands) was \$151,654 and the net		
Utilities (3.8%)			unrealized appreciation of investments based on that cost was		
Black Hills Corp.	38,300	1,176	\$49,467 which is comprised of \$51,112 aggregate gross		
Cleco Corp.	43,000	871	unrealized appreciation and \$1,645 aggregate gross unrealized		
*CMS Energy Corp.	26,700	279	depreciation.		
Duke Energy Corp.	13,800	350			
*Dynergy, Inc. — Class A	33,000	152			
*El Paso Electric Co.	57,200	1,083			
FirstEnergy Corp.	5,100	202			
NiSource, Inc.	28,700	654			
*Northwestern Corp.	3,300	92			
*NRG Energy, Inc.	12,300	443			

The Accompanying Notes are an Integral Part of the Financial Statements

Objective:

Maximum long-term appreciation of capital

Portfolio Strategy:

Strive for the highest possible rate of capital appreciation by investing in companies with potential for rapid growth.

Net Assets:

\$1.3 billion

The Aggressive Growth Stock Portfolio seeks emerging growth companies in the middle-capitalization range, generally with market capitalizations of less than \$10 billion. The Portfolio's focus in stock selection is on the individual companies' ability to generate revenue, expand profit margins and maintain solid balance sheets; industry sector selection is of secondary importance. Since growth stock portfolios tend to react strongly to changes in financial and economic markets, as well as to changes in the prospects for individual companies, returns of this Portfolio can vary considerably from time to time. A higher level of risk (with risk defined as variability of returns over time) is accepted for the potential of greater long-term returns.

For the year ended December 31, 2004, the Aggressive Growth Stock Portfolio had a return of 14.22%, compared with 16.49% for its benchmark, the S&P MidCap 400 Index. (This index is unmanaged, cannot be invested in directly, and does not include administrative expenses or sales charges.) The Portfolio underperformed its peer group, Mid-Cap Growth Funds, which had an average return of 14.75% for the same period, according to Lipper Analytical Services, Inc. ("Lipper"), an independent mutual fund ranking agency. The Portfolio's underperformance relative to the Index resulted mainly from sector selection, and also reflects its emphasis on quality stocks at a time when lower quality issues performed better.

Following an extraordinary year in 2003, mid-capitalization stocks once again rewarded investors in 2004. For 2004, however, the major portion of the gain in mid-cap stocks, as well as in the overall stock market, was realized in the fourth quarter. Earlier in the year, the stock market produced lackluster results as economic concerns, including rising oil prices, the weakening U.S. dollar, the war in Iraq and the upcoming presidential election, hampered performance. Indications that the Federal Reserve might start raising interest rates — after a long period in which U.S. consumers had benefited from rates at 45-year lows — also had a dampening effect on the market. In the fourth quarter, however, especially following the elections in November, the stock market experienced a dramatic rally, in which all asset classes gained. The S&P 500 Index (a gauge of broad stock market performance), which returned 10.88% for the year, gained 9.23% in the fourth quarter alone.

Higher beta stocks — including small- and mid-cap stocks — experienced an even more dramatic lift during the fourth quarter. Small-capitalization stocks, as measured by the S&P 600 SmallCap Index, returned 22.65% for the year ended December 31, 2004, with 13.00% of that gain coming in the fourth quarter. Mid-cap stocks, as measured by the S&P 400 MidCap Index, returned 16.49% for the year, 12.16% of which came in the last quarter. The drive for beta in the fourth quarter pushed up prices of lower quality issues as investors demonstrated a willingness to take on more risk in order to make up for the low returns earlier in the year.

The Portfolio's underperformance relative to the Index this year resulted primarily from sector selection. Overweight positions in the Industrial and Technology sectors, together with poor returns in several stocks in those sectors, hurt performance. Industrial sector stocks that performed poorly included Cintas Corp. (designs and manufactures corporate identity uniform programs), ARAMARK Corp. (provides outsourced services), and Manpower Inc. (an employment service organization). Technology sector stocks that hurt performance included Silicon Laboratories (designs and develops integrated circuits), Microchip Technology Inc. (develops and manufactures microcontrollers), and Integrated Circuit Systems (designs and develops silicon timing devices). Several Consumer Discretionary stocks also hurt performance; the biggest detractors were radio holdings Univision Communications and Westwood One. Retailers Jones Apparel Group and Ann Taylor also performed poorly during the year.

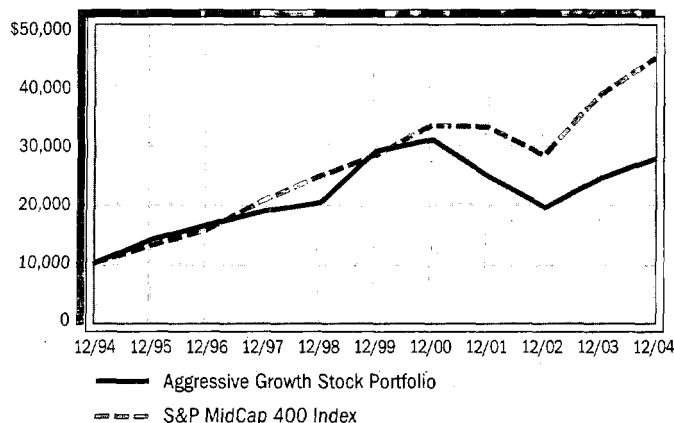
Adding to the Portfolio's performance was a substantial overweight position in the Health Care sector. Individual holdings, including Elan Corp. (research and development of therapeutic products for neurology and autoimmune diseases), Kinetic Concepts Inc. (a global medical technology company), Cytoc Corp. (designs and manufactures systems for diagnostic applications), and Biogen Idec Inc. (research and development of targeted cancer therapies) all experienced large gains earlier in the year. Positions in these stocks were subsequently trimmed back to lock in gains. Also adding to performance in 2004 were Consumer Discretionary stocks PetSmart (a retailer and online supplier of pet supplies), Getty Images (a media company), Pixar Inc. (a digital animation studio), and Michaels Stores Inc. (an art and home décor retailer).

Stocks in the Industrial sector that performed well included Expeditors International (global logistics management), L-3 Communications Holdings (supplier of secure communications systems), and Corporate Executive Board Co. (provides analysis on corporate strategy and operations). Education stock Apollo Group Inc., Technology stock VeriSign Inc., and Consumer Staples stock Whole Foods Market Inc. also performed well. In addition, an increased position in the Portfolio's top holding, CIT Group (a finance company), helped performance for the year.

As of early January 2005, the market had corrected from its December 2004 highs. We believe earnings growth may slow from its previously torrid pace, but may go to a more sustainable level. Because of this, we will be looking for favorable returns from mid-cap stocks and continue to expect mid-cap companies to outperform their larger brethren in the near future. We look to keep cash low and our holdings list fresh during 2005.

Aggressive Growth Stock Portfolio

Relative Performance



Average Annual Total Return
For Periods Ended December 31, 2004

	1 Year	5 Years	10 Years
Aggressive Growth Stock Portfolio	14.22%	-0.91%	10.68%
S&P MidCap 400 Index	16.49%	9.54%	16.10%
Mid Cap Growth Funds Lipper Average	14.75%	-1.73%	10.08%

The performance data quoted represents past performance. Past performance is historical and does not guarantee future performance. Investment return and principal value will fluctuate, so that 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. For the most recent month-end performance information, visit www.nmfn.com.

This chart assumes an initial investment of \$10,000 made on 12/31/94. Returns shown include deductions for management and other portfolio expenses, and reinvestment of all dividends. Returns exclude deductions for separate account sales loads and account fees. Total returns, which reflect deduction of charges for the separate account, are shown beginning on page iv of the Performance Summary of the Separate Account report.

Since the Portfolio invests primarily in medium-capitalization (Mid Cap) issues, the index that best reflects the Portfolio's performance is the S&P MidCap 400 Index. This is a capitalization-weighted index that measures the performance of the mid-range sector of the U.S. stock market. The index cannot be invested in directly and does not include sales charges.

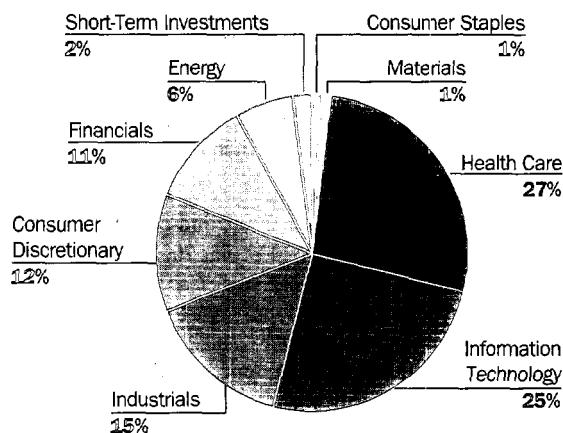
As of December 31, 2004, the 400 companies in the composite had a median market capitalization of \$2.4 billion and a total market value of \$1.1 trillion. The MidCap 400 represents approximately 5.8% of the market value of the Compustat's database of about 9,381 equities.

The Lipper Variable Insurance Products (VIP) Mid Cap Growth Funds' Average is calculated by Lipper Analytical Services, Inc. and reflects the average investment return of portfolios underlying variable life and annuity products. The category consists of Funds that, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) less than 300% of the dollar-weighted median market capitalization of the middle 1,000 securities of the S&P SuperComposite 1500 Index. Mid-cap growth funds typically have an above-average price-to-earnings ratio, price-to-book ratio, and three-year sales-per-share growth value, compared to the S&P MidCap 400 Index. Source: Lipper, Inc.

Top 10 Equity Holdings 12/31/04

Company	% of Net Assets
CIT Group, Inc.	2.2%
Graco, Inc.	2.2%
DaVita, Inc.	2.1%
Waters Corp.	2.1%
Fastenal Co.	1.9%
Nabors Industries, Ltd.	1.9%
The Corporate Executive Board Co.	1.9%
Zebra Technologies Corp. - Class A	1.8%
Legg Mason, Inc.	1.8%
Kinetic Concepts, Inc.	1.8%

Sector Allocation 12/31/04



Sector Allocation is based on Net Assets.

Sector Allocation and Top 10 Holdings are subject to change.

Investing in small company stocks involves a greater degree of risk than investing in medium or large company stocks.

Investing in medium company stocks involves a greater degree of risk than investing in large company stocks.

Expense Example

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management 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 period and held for the entire period (July 1, 2004 to December 31, 2004).

Actual Expenses

The first 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 first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second 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 transactional costs. Therefore, the second 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 transactional costs were included, your costs would have been higher.

	Beginning Account Value July 1, 2004	Ending Account Value December 31, 2004	Expenses Paid During Period July 1, 2004 to December 31, 2004*
Actual	\$1,000.00	\$1,070.60	\$2.71
Hypothetical (5% return before expenses)	\$1,000.00	\$1,022.21	\$2.65

* Expenses are equal to the Fund's annualized expense ratio of 0.52%, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period).

Aggressive Growth Stock Portfolio

Northwestern Mutual Series Fund, Inc.

Schedule of Investments

December 31, 2004

Common Stocks (98.6%)	Shares/ \$ Par	Market Value \$ (000's)	Common Stocks (98.6%)	Shares/ \$ Par	Market Value \$ (000's)
Consumer Discretionary (12.3%)			Health Care continued		
Choice Hotels International, Inc.	155,200	9,002	Health Management Associates, Inc. — Class A	756,210	17,181
*Dick's Sporting Goods, Inc.	240,300	8,447	*Kinetic Concepts, Inc.	296,200	22,600
Garmin, Ltd.	368,100	22,395	*Lincare Holdings, Inc.	433,900	18,506
Gentex Corp.	475,130	17,589	Medicis Pharmaceutical Corp.	258,500	9,076
*Getty Images, Inc.	234,170	16,123	*Neurocrine Biosciences, Inc.	161,300	7,952
Jones Apparel Group, Inc.	158,200	5,785	*Patterson Companies, Inc.	448,996	19,482
*Lamar Advertising Co. — Class A	393,025	16,814	*St. Jude Medical, Inc.	487,500	20,441
Michaels Stores, Inc.	395,600	11,856	*Thermo Electron Corp.	340,400	10,277
*O'Reilly Automotive, Inc.	348,730	15,710	*Varian Medical Systems, Inc.	328,800	14,217
PETsMART, Inc.	323,900	11,508	*VCA Antech, Inc.	597,400	11,709
*Pixar, Inc.	65,600	5,616	*Waters Corp.	561,570	26,275
*Univision Communications, Inc. — Class A	244,127	7,146	Total		343,594
*Westwood One, Inc.	354,600	9,549	Industrials (15.1%)		
Total		157,540	*Apollo Group, Inc. — Class A	107,280	8,659
Consumer Staples (1.3%)			ARAMARK Corp. — Class B	604,300	16,020
*Smithfield Foods, Inc.	249,500	7,383	Cintas Corp.	198,050	8,686
Whole Foods Market, Inc.	92,000	8,772	The Corporate Executive Board Co.	355,020	23,765
Total		16,155	Deere & Co.	155,740	11,587
Energy (5.5%)			Expeditors International of Washington, Inc.	369,630	20,655
BJ Services Co.	309,600	14,409	Fastenal Co.	403,390	24,833
*Cooper Cameron Corp.	224,200	12,064	Graco, Inc.	744,500	27,807
*Nabors Industries, Ltd.	463,800	23,788	L-3 Communications Holdings, Inc.	162,150	11,876
*Quicksilver Resources, Inc.	211,100	7,764	Manpower, Inc.	261,840	12,647
*Smith International, Inc.	233,700	12,716	Pentair, Inc.	213,200	9,287
Total		70,741	Robert Half International, Inc.	598,300	17,608
Financials (10.9%)			Total		193,430
*Ameritrade Holding Corp.	1,236,600	17,584	Information Technology (25.5%)		
Assured Guaranty, Ltd.	421,400	8,289	*Activision, Inc.	444,700	8,974
*CapitalSource, Inc.	867,800	22,276	Adobe Systems, Inc.	196,330	12,318
CIT Group, Inc.	609,100	27,910	*Amdocs, Ltd.	575,550	15,108
Investors Financial Services Corp.	343,280	17,157	*Avaya, Inc.	883,600	15,198
Legg Mason, Inc.	308,770	22,620	CDW Corp.	224,640	14,905
St. Joe Co.	173,100	11,113	*Cogent, Inc.	279,900	9,237
Ventas, Inc.	452,700	12,409	*Cognos, Inc.	457,000	20,135
Total		139,358	*DST Systems, Inc.	178,800	9,319
Health Care (27.0%)			*FLIR Systems, Inc.	120,200	7,668
*Affymetrix, Inc.	171,500	6,268	Harris Corp.	259,900	16,059
*Angiotech Pharmaceuticals, Inc.	728,977	13,450	Infosys Technologies Ltd., ADR	296,070	20,521
*Barr Pharmaceuticals, Inc.	206,700	9,413	*Integrated Circuit Systems, Inc.	562,880	11,775
*Biogen Idec, Inc.	151,300	10,078	*Jabil Circuit, Inc.	311,200	7,960
Biomet, Inc.	412,810	17,912	*KLA-Tencor Corp.	237,180	11,048
*Caremark Rx, Inc.	395,494	15,594	*Kronos, Inc.	266,200	13,611
*Charles River Laboratories International, Inc.	423,900	19,504	*Lam Research Corp.	417,800	12,079
*Covance, Inc.	440,600	17,073	Microchip Technology, Inc.	587,395	15,660
*Cytoc Corp.	596,000	16,432	*NAVTEQ Corp.	128,900	5,976
*DaVita, Inc.	675,900	26,717	Paychex, Inc.	555,840	18,943
*Elan Corp. PLC, ADR	259,800	7,080	*QLogic Corp.	160,070	5,879
*Gen-Probe, Inc.	140,600	6,357	*Semtech Corp.	820,490	17,944
			*Silicon Laboratories, Inc.	347,900	12,284

Aggressive Growth Stock Portfolio

	Shares/ \$ Par	Market Value \$ (000's)
Common Stocks (98.6%)		
Information Technology continued		
*VeriSign, Inc.	606,820	20,341
*Zebra Technologies Corp. — Class A	407,252	22,920
Total		<u>325,862</u>
Materials (1.0%)		
Praxair, Inc.	303,840	13,415
Total		<u>13,415</u>
Total Common Stocks		
		(Cost: \$1,004,819)
<u>1,260,095</u>		
Money Market Investments (1.8%)		
Federal Government & Agencies (0.2%)		
Federal Home Loan Mortgage Corp., 2.42%, 3/22/05	3,000,000	2,985
Total		<u>2,985</u>
Finance Lessors (0.0%)		
Delaware Funding, 2.25%, 1/4/05	600,000	600
Total		<u>600</u>
Finance Services (0.0%)		
Ciesco LP, 2.20%, 1/3/05	300,000	300
Total		<u>300</u>
Short Term Business Credit (0.8%)		
Sheffield Receivables, 2.23%, 1/4/05	9,600,000	9,598
Total		<u>9,598</u>
Utilities (0.8%)		
(b)National Rural Utility, 2.21%, 1/10/05	10,000,000	9,994
Total		<u>9,994</u>

	Shares/ \$ Par	Market Value \$ (000's)
Money Market Investments (1.8%)		
Total Money Market Investments		
		(Cost: \$23,476)
<u>23,477</u>		
Total Investments (100.4%)		
		(Cost \$1,028,295)(a)
<u>1,283,572</u>		
Other Assets, Less Liabilities (-0.4%)		
		(5,077)
<u>Total Net Assets (100.0%)</u>		
		<u>1,278,495</u>

* Non-Income Producing

ADR — American Depository Receipt

(a) At December 31, 2004 the aggregate cost of securities for federal tax purposes (in thousands) was \$1,032,320 and the net unrealized appreciation of investments based on that cost was \$251,252 which is comprised of \$267,321 aggregate gross unrealized appreciation and \$16,069 aggregate gross unrealized depreciation.

(b) All or a portion of the securities have been committed as collateral for open futures positions or when-issued securities. Information regarding open futures contracts as of period end is summarized below.

Issuer (000's)	Number of Contracts	Expiration Date	Unrealized Appreciation/ Depreciation (000's)
S&P MidCap 400 Index			
Futures	17	3/05	\$126
(Total Notional Value at December 31, 2004, \$5,529)			

The Accompanying Notes are an Integral Part of the Financial Statements

International Growth Portfolio

Objective:

Long-term capital appreciation

Portfolio Strategy:

Invest in stocks of companies outside the U.S. that are expected to experience above-average growth.

Net Assets:

\$110 million

The International Growth Stock Portfolio seeks long-term capital appreciation. The Portfolio seeks to achieve this objective by investing primarily in common stocks of companies that are headquartered or trade primarily in markets outside the United States and that are expected to grow more rapidly than market averages. Normally, the Portfolio invests at least 80% of its assets in non-U.S. securities. The investments comprising the Portfolio are chosen individually, reflecting the managers' assessment of their attractiveness. Equities purchased will possess, in the managers' judgment, a combination of solid fundamentals, attractive valuation, and positive technical evaluation.

Companies judged to have a positive fundamental situation are likely to exhibit a history of superior sales and profit growth, or expectations of such growth, strong product/service positioning, experienced management, and solid or improving financial position. Prices are evaluated in reference to the company's own expected growth, comparable companies within the same or similar industries, and/or companies with similar expected growth characteristics. Technical indicators would include such things as past price performance and anticipated supply and demand balance. Industry and country weights within the Portfolio, while monitored as a gauge of the Portfolio's exposure to risk, are treated primarily as by-products of the stock selection process. The equities in the Portfolio will include small, medium, and large capitalization issues. Current income will be a secondary consideration in stock selection.

Following an extraordinary year in 2003, international stocks once again produced very nice returns in 2004, aided by a continuation of the cyclical recovery and a boost from foreign currencies. For the year ended December 31, 2004, the International Growth Stock Portfolio had a return of 21.59%, outperforming the MSCI EAFE (Europe, Australasia Far East) Index, which returned 20.70% for the year. (This index is unmanaged, cannot be invested in directly, and does not include administrative expenses or sales charges.) The Portfolio also outperformed its peer group, International Growth, which had an average return of 17.44% for the same period, according to Lipper Analytical Services, Inc. ("Lipper"), an independent mutual fund ranking agency.

The Portfolio's outperformance relative to the Index can be attributed to its participation in some of the strongest international markets. For instance, the Scandinavian countries of Sweden, Norway and Denmark were all strong performers. Additionally, Ireland and Spain turned in superior returns. In general, these countries showed stronger economic growth than their European counterparts. These are all countries to which the Portfolio maintained a healthy exposure.

A higher weighting in Scandinavian stocks, especially in Sweden, Norway and Denmark, added to the Portfolio's performance during 2004. Stocks of special interest in those countries included Ericsson (the world's leading manufacturer of mobile telecommunications

infrastructure equipment), Nobia AB (manufactures kitchen interiors), and Volvo (international transport equipment group). Nokian Renkaat (a Finnish tire manufacturer) also added value. Several stocks based in the United Kingdom also added to performance, including Punch Taverns (a pub leasing company, which is one of the Portfolio's top ten holdings), Capita Group (corporate services), Wolseley (building material distribution), and Tesco Foods (a retailer, which is also a top ten holding).

Exposure to Emerging Markets also increased returns for the Portfolio in 2004. The emerging markets generally, and in particular Indonesia, Brazil, Mexico, and the countries of Eastern Europe, were strong in 2004. In the Indonesian market, which benefited from investor perceptions of reform, the Portfolio's holdings in PT Telecom and Bank Rakyat did very well. OTP Bank in Hungary (another one of the Portfolio's top ten holdings), as well as Erste Bank in Austria, also performed strongly as investors sought ways to capitalize on the addition of a number of Eastern European countries to the European Union. The Portfolio would have benefited from more holdings in Mexico, which rose smartly. Urbi Desarrollos (a home builder) shared those gains. Brazil also rose strongly on relief over the new government's policies. The Portfolio's single holding in Brazil, Natura Cosméticos (manufactures and distributes cosmetics), more than doubled.

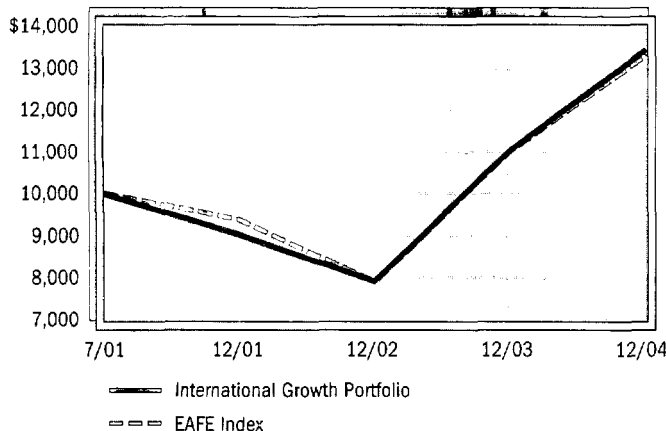
An underweight position in Japan helped performance in 2004 as Japan was a relative laggard. Japan's economy slowed markedly in the second half of the year, rekindling investor fears about the sustainability of growth and dragging the market downward. Strong performers for the Portfolio in Japan in 2004 included Bridgestone (tire manufacturer), Kubota (industrial and farm machinery manufacturer), and USS (auto auctions).

While country selection aided portfolio performance, sector weightings worked against it. Markets were led by a sector in which it is difficult for growth investors to participate, Utilities (+32.36%). Also exceptionally strong were Energy (+27.62%) and Financials (+25.26%). The Portfolio is significantly underweight in each of these sectors. Stock selection within these groups was good, with the Portfolio's holdings outperforming the Index in each sector. Information Technology was the weakest sector (+8.84%), followed by Health Care (+11.39%), and Consumer Discretionary (+15.10%). The Portfolio is heavily overweighted in all three sectors versus the Index. Here again stock selection within sectors was good, with significantly superior performance in both the Health Care and Consumer Discretionary sectors.

The Portfolio's exposure to small and mid-capitalization issues aided performance as returns by market capitalization sectors were inverse, with large cap issues gaining 19.50%, mid-cap issues gaining 27.92%, and small cap issues gaining 31.15%.

International Growth Portfolio

Relative Performance



Average Annual Total Return For Periods Ended December 31, 2004

	1 Year	Since Inception*
International Growth Portfolio	21.59%	8.99%
EAFE Index	20.70%	8.65%
International Growth Funds Lipper Average	17.44%	-

*inception date of 7/31/01

The performance data quoted represents past performance. Past performance is historical and does not guarantee future performance. Investment return and principal value will fluctuate, so that 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. For the most recent month-end performance information, visit www.nmf.com.

This chart assumes an initial investment of \$10,000 made on 7/31/01 (commencement of the Portfolio's operations). Returns shown reflect fee waivers, deductions for management and other portfolio expenses, and reinvestment of all dividends. In the absence of fee waivers, total return would be reduced. Returns exclude deductions for separate account sales loads and account fees. Total returns, which reflect deduction of charges for the separate account are shown beginning on page iv of the Performance Summary of the Separate Account report.

As depicted in the graph, the International Growth Portfolio is compared against the Morgan Stanley Capital International EAFE ("Europe-Australasia-Far East") Index. The MSCI EAFE® Index is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US & Canada. As of December 31, 2004 the MSCI EAFE Index consisted of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. The objective of the Index is to reflect the movements of stock markets in these countries by representing an unmanaged (indexed) portfolio within each country. The Index seeks to include securities to represent 85% of the free float-adjusted market capitalization within each industry group within each country. A cross section of large, medium, and small capitalization stocks are included, taking into account liquidity concerns. The Index is calculated in U.S. dollars. The Index cannot be invested in directly and does not include administrative expenses or sales charges.

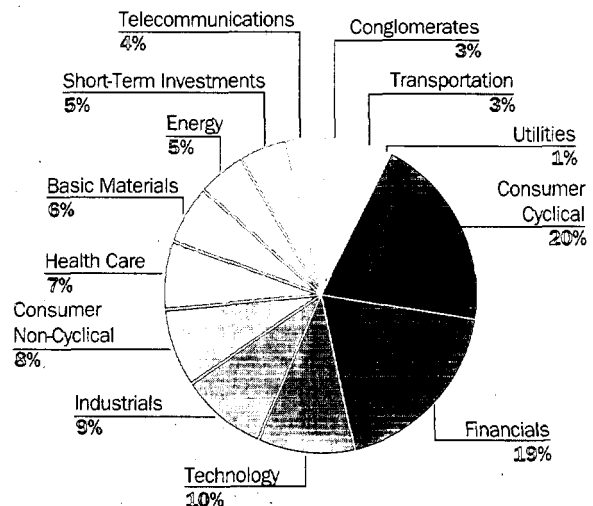
The Lipper Variable Insurance Products (VIP) International Growth Funds Average is calculated by Lipper Analytical Services, Inc. and reflects the average investment return of portfolios underlying variable life and annuity products. The category consists of Funds that, by portfolio practice, invest at least 75% of their equity assets in companies strictly outside of the U.S. Growth funds typically have an above-average price-to-cash flow ratio, price-to-book ratio, and three-year sales-per-share growth value compared to the S&P/Citigroup World ex-U.S. BMI. Source: Lipper, Inc.

Investors should be aware of the risks of investments in foreign securities, particularly investments in securities of companies in developing nations. These include the risks of currency fluctuation, of political and economic instability and of less well-developed government supervision and regulation of business and industry practices, as well as differences in accounting standards.

Top 10 Equity Holdings 12/31/04

Company	% of Total Net Assets
Anglo Irish Bank Corp.	1.8%
Puma AG Rudolf Dassler Sport	1.3%
Grupo Ferrovial, S.A.	1.1%
OTP Bank	1.1%
Next PLC	1.1%
Mobistar SA	1.1%
Wienerberger AG	1.1%
Vinci SA	1.0%
Tesco PLC	1.0%
Punch Taverns PLC	1.0%

Sector Allocation 12/31/04



Sector Allocation is based on Net Assets.

Sector Allocation and Top 10 Holdings are subject to change.

Expense Example

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management 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 period and held for the entire period (July 1, 2004 to December 31, 2004).

Actual Expenses

The first 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 first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second 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 transactional costs. Therefore, the second 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 transactional costs were included, your costs would have been higher.

	Beginning Account Value July 1, 2004	Ending Account Value December 31, 2004	Expenses Paid During Period July 1, 2004 to December 31, 2004*
Actual	\$1,000.00	\$1,156.40	\$5.15
Hypothetical (5% return before expenses)	\$1,000.00	\$1,020.05	\$4.83

* Expenses are equal to the Fund's annualized expense ratio of 0.95%, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period).

International Growth Portfolio

Northwestern Mutual Series Fund, Inc.

Schedule of Investments

December 31, 2004

Foreign Common Stocks (94.1%)	Country	Shares/ \$ Par	Value \$ (000's)	Foreign Common Stocks (94.1%)	Country	Shares/ \$ Par	Value \$ (000's)
Basic Materials (5.7%)				Consumer Cyclical continued			
BASF AG	Germany	11,180	805	USS Co., Ltd.	Japan	8,010	672
CRH PLC	Ireland	30,226	809	*Vivendi Universal SA	France	26,170	836
K+S AG	Germany	10,955	582	Walmart de Mexico —			
Nippon Steel Corp.	Japan	268,500	658	Series V	Mexico	167,665	576
Stora Enso OYJ	Finland	47,500	728	Wolseley PLC	United Kingdom	36,295	678
Sumitomo Chemical Co., Ltd.	Japan	142,000	696	Total			22,004
*Syngenta AG	Switzerland	8,455	898	Consumer Non-Cyclical (7.9%)			
Wienerberger AG	Austria	24,545	1,172	Axfood AB	Sweden	18,200	616
Total			6,348	*Cott Corp. ADR	Canada	19,980	494
Conglomerates (2.9%)				*GEOX SPA	Italy	49,640	386
Grupo Ferrovial SA	Spain	23,015	1,230	Metro AG	Germany	6,625	365
Nomura TOPIX Exchange Traded Fund	Japan	74,500	843	Natura Cosméticos SA	Brazil	24,150	705
Vinci SA	France	8,510	1,143	Nestle SA	Switzerland	2,015	527
Total			3,216	Puma AG	Germany	5,105	1,404
Consumer Cyclical (20.0%)				Reckitt Benckiser PLC	United Kingdom	24,950	754
Belluna Warrants	Japan	1,452	4	*Royal Numico NV	Netherlands	19,425	700
Beru AG	Germany	941	88	SABMiller PLC	United Kingdom	39,175	650
Bridgestone Corp.	Japan	32,000	637	Swedish Match AB	Sweden	87,270	1,011
Bulgari SPA	Italy	61,360	758	Tesco PLC	United Kingdom	178,830	1,105
Burberry Group PLC	United Kingdom	85,100	655	Total			8,717
Carnival Corp.	United Kingdom	15,015	865	Energy (5.3%)			
Edgars Consolidated Stores, Ltd.	South Africa	12,888	691	BG Group PLC	United Kingdom	103,515	704
Esprit Holdings, Ltd.	Hong Kong	177,500	1,073	BP PLC	United Kingdom	63,385	618
Four Seasons Hotels Co.	Canada	5,040	412	EnCana Corp.	Canada	16,115	920
Hilton Group PLC	United Kingdom	103,170	564	Eni SPA	Italy	36,445	912
*Hyundai Motor Co.	Korea	16,030	859	Suncor Energy Inc.	Canada	5,800	205
Intercontinental Hotels Group PLC	United Kingdom	46,906	583	Technip SA	France	5,120	947
Lagardere S.C.A.	France	10,280	742	*TGS Nopec Geophysical Co.			
Lottomatica SPA	Italy	26,280	964	ASA	Norway	13,215	338
Mediaset SPA	Italy	22,465	285	Total SA	France	2,620	572
Next PLC	United Kingdom	37,835	1,198	*Western Oil Sands Inc.	Canada	17,865	624
NHK Spring Co., Ltd.	Japan	77,000	526	Total			5,840
Nissan Motor Co., Ltd.	Japan	56,800	618	Financials (18.9%)			
Nobia AB	Sweden	50,810	841	*Admiral Group PLC	United Kingdom	15,070	93
Nokian Renkaat OYJ	Finland	5,955	905	Aktiv Kapital ASA	Norway	500	11
Opap SA	Greece	31,690	876	Allianz AG	Germany	2,540	337
Punch Taverns PLC	United Kingdom	81,670	1,082	Alpha Bank AE	Greece	28,138	981
Ryohin Keikaku Co., Ltd.	Japan	13,600	684	AMP, Ltd.	Australia	163,440	930
Signet Group PLC	United Kingdom	317,675	671	Anglo Irish Bank Corp. PLC	Ireland	80,292	1,954
Square Enix Co., Ltd.	Japan	23,700	701	Banca Fideuram SPA	Italy	110,155	570
Swatch Group AG	Switzerland	5,280	775	*Banco Espanol de Credito SA	Spain	55,900	799
Techtronic Industries Co.	Hong Kong	393,500	861	Banco Popolare Di Verona	Italy	44,165	898
*Urbi Desarrollos Urbanos SA	Mexico	74,085	324	Bangkok Bank PCL	Thailand	55,300	162
				Bank of Yokohama	Japan	109,000	687
				Bank Rakyat Indonesia	Indonesia	3,145,500	974

International Growth Portfolio

Foreign Common Stocks (94.1%)	Country	Shares/ \$ Par	Value \$ (000's)
Financials continued			
BNP Paribas	France	9,925	719
Chiba Bank, Ltd.	Japan	93,000	622
Credit Saison Co., Ltd.	Japan	18,900	688
*Credit Suisse Group	Switzerland	10,250	431
DNB NOR ASA	Norway	85,235	841
Erste Bank Der Oester Foereningssparbanken AB	Austria	17,120	915
	Sweden	31,305	780
Fondiarria SAI SPA	Italy	26,740	721
HSBC Holdings PLC	Hong Kong	42,783	732
ING Groep NV	Netherlands	28,329	857
*Kookmin Bank	Korea	18,080	707
Man Group PLC	United Kingdom	22,725	642
Manulife Financial Corp.	Canada	13,510	624
MPC Muenchmeyer Petersen Capital AG	Germany	3,300	249
OTP Bank	Hungary	39,770	1,226
Royal Bank of Scotland Group PLC	United Kingdom	21,199	713
Storebrand ASA	Norway	101,220	978
Total			<u>20,841</u>
Health Care (6.9%)			
CSL, Ltd.	Australia	36,905	846
*Elekta AB	Sweden	21,375	616
GN Store Nord	Denmark	71,235	768
Nobel Biocare Holding AG	Switzerland	4,495	814
Novartis AG	Switzerland	14,545	733
Roche Holding AG	Switzerland	7,140	822
Schwarz Pharma AG	Germany	18,795	851
Smith & Nephew PLC	United Kingdom	70,660	723
Stada Arzneimittel AG	Germany	24,045	650
*Synthes Inc.	Switzerland	7,215	809
Total			<u>7,632</u>
Industrial Goods (8.5%)			
Atlas Copco AB	Sweden	18,345	828
Capita Group PLC	United Kingdom	131,980	928
*Chiyoda Corp.	Japan	107,000	782
Cobham PLC	United Kingdom	28,215	670
*Daewoo Shipbuilding & Marine Engineering Co., Ltd.	Korea	48,740	725
*Deutz AG	Germany	26,733	107
Hays PLC	United Kingdom	271,135	647
Keyence Corp.	Japan	3,000	672
Kubota Corp.	Japan	159,000	788
Meggitt PLC	United Kingdom	139,428	701
Metso OYJ	Finland	21,460	340
Neopost SA	France	11,555	898
Omron Corp.	Japan	25,900	618
Volvo AB	Sweden	17,860	708
Total			<u>9,412</u>

Foreign Common Stocks (94.1%)	Country	Shares/ \$ Par	Value \$ (000's)
Technology (10.3%)			
*Axalto Holding NV	France	26,700	695
Canon Inc.	Japan	12,700	685
Dassault Systemes SA	France	12,225	616
*Ericsson LM - B Shares	Sweden	291,690	931
Fuji Photo Film Co., Ltd.	Japan	17,100	624
*Gresham Computing PLC	United Kingdom	109,785	582
Hoya Corp.	Japan	6,800	768
Indra Sistemas SA	Spain	46,030	786
Infosys Technologies, Ltd.	India	17,953	863
*Kontron AG	Germany	84,470	775
Net One Systems Co., Ltd.	Japan	178	742
Nidec Corp.	Japan	5,300	645
Samsung Electronics Co., Ltd.	Korea	1,530	666
Siemens AG	Germany	8,765	743
Tandberg ASA	Norway	47,240	587
TDK Corp.	Japan	8,900	659
Total			<u>11,367</u>

Telecommunications (3.7%)			
*Deutsche Telekom AG	Germany	37,508	849
*Mobistar SA	Belgium	12,670	1,188
PT Telekomunikasi Indonesia	Indonesia	1,172,500	609
Telefonica SA	Spain	43,330	816
Vodafone Group PLC	United Kingdom	245,225	665
Total			<u>4,127</u>

Transportation (2.5%)			
Canadian National Railway Co.	Canada	13,655	833
Fraport AG	Germany	17,485	746
*Golar LNG, Ltd.	Norway	32,220	469
*Kamigumi Co., Ltd.	Japan	76,000	607
*Societe Des Autoroutes Paris-Rhin-Rhone	France	1,810	109
Total			<u>2,764</u>

Utilities (1.5%)			
Brisa Auto Estrada de Portugal SA	Portugal	82,205	754
Iberdrola SA	Spain	33,615	855
Total			<u>1,609</u>

Total Foreign Common Stocks
(Cost: \$75,656) **103,877**

Call Options (0.0%)			
Technology (0.0%)			
C/O Kontron AG, expiring 3/14/05 @ 6.67	Germany	1,726	1

Total Call Options
(Cost: \$0) **1**

International Growth Portfolio

Money Market Investments (5.2%)	Country	Shares/ \$ Par	Value \$ (000's)
Federal Government and Agencies (4.9%)			
Federal Home Loan			
Banks, 2.10%, 1/18/05	United States	5,500,000	<u>5,495</u>
Total			<u>5,495</u>
Finance Services (0.3%)			
Ciesco LP, 2.20%, 1/3/05	United States	300,000	<u>300</u>
Total			<u>300</u>
Total Money Market Investments (Cost: \$5,795)			<u>5,795</u>
Total Investments (99.3%) (Cost \$81,451)(a)			<u>109,673</u>
Other Assets, Less Liabilities (0.7%)			<u>825</u>
Total Net Assets (100.0%)			<u>110,498</u>

* Non-Income Producing

ADR — American Depository Receipt

(a) At December 31, 2004 the aggregate cost of securities for federal tax purposes (in thousands) was \$81,739 and the net unrealized appreciation of investments based on that cost was \$27,934 which is comprised of \$28,200 aggregate gross unrealized appreciation and \$266 aggregate gross unrealized depreciation.

Investment Percentage by Country:

United Kingdom	14.2%
Japan	14.2%
Germany	7.8%
France	6.6%
Sweden	5.8%
Switzerland	5.3%
Italy	5.0%
Other	<u>41.1%</u>
Total	<u>100.0%</u>

The Accompanying Notes are an Integral Part of the Financial Statements

Franklin Templeton International Equity Portfolio

Objective:

Long-term appreciation of capital through diversification into markets outside the United States

Portfolio Strategy:

Participate in the growth of foreign economies by investing in securities with high long-term earnings potential relative to current market values.

Net Assets:

\$981 million

The Franklin Templeton International Equity Portfolio seeks long-term growth of capital. The Portfolio seeks to achieve this objective by investing primarily in equity securities of issuers from countries outside the U.S. The Portfolio's holdings will consist primarily of equity securities of issuers in foreign countries. The Portfolio's strategy is to identify and invest in the undervalued stocks of foreign companies offering the greatest discounts to their long-term values. The strategy will reflect a bottom-up, value-oriented and long-term investment philosophy. In choosing equities, the Portfolio's manager will focus on the market price of a company's security in relation to its long-term earnings, asset value and cash flow potential. A company's historical value measure, including price/earnings ratio, profit margins and liquidation value, also will be considered.

For the second year in a row, most stock markets throughout the world posted strong performance in 2004. The fourth quarter, in particular, was strong for international stocks, as the flight away from the U.S. dollar continued and we saw the biggest currency moves of the year. For the year ended December 31, 2004, the International Equity Portfolio had a total return of 19.33%, slightly below the 20.70% return on the MSCI EAFE Index. (This Index is unmanaged, cannot be invested in directly and does not include administrative expenses or sales charges.) The average return for the Portfolio's peer group, International Value Funds, was 20.75% for the year ended December 31, 2004, according to Lipper Analytical Services, Inc. ("Lipper"), an independent mutual fund ranking agency.

The Portfolio's slight underperformance relative to the Index can be attributed to two factors: underweight positions in the Financials and Consumer Staples sectors, and underweight positions in countries that turned in strong performance for the year. Although the Financials sector represented the Portfolio's largest sector weighting (approximately 20%), it was well below the EAFE

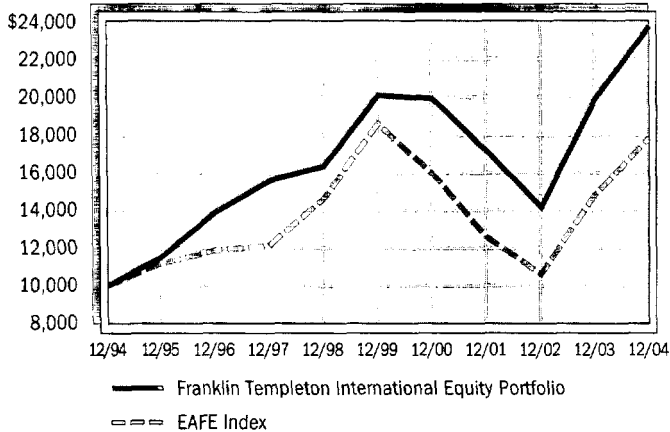
Index's weighting of more than 27%. A minor underweighting in Europe also slightly detracted from results.

Other country weights were positive for return in 2004. Overweightings in two countries, South Korea (which is not in the EAFE Index) and Hong Kong, benefited the Portfolio as Emerging Markets experienced good returns in 2004. In addition, the Portfolio had holdings in Latin America (which is not in the EAFE Index) that added value through currency appreciation and strong price appreciation. Other sector weightings that were positive for the Portfolio included overweightings in the Materials, Industrials and Utilities sectors.

Individual stocks that benefited the Portfolio in 2004 included E.ON AG (a German-based industrial company). We like E.ON on its cheap valuation and fundamentals: the company is growing its dividends at 10% a year, has great cash flow and a debt-to-assets ratio of approximately 20%. Under its new CEO, the company committed its efforts to efficiency and streamlining business during 2004 by selling off non-core assets and focusing on electric and gas. The stock appreciated nicely during the year due to cost reductions and higher prices for gas and electric. Suez SA, one of the largest utilities in France, also turned in good performance and is now among the Portfolio's top ten holdings because of price appreciation. In addition, Nordea Bank benefited from the continued consolidation of banks in northern Europe, Brazilian company CVRD, the world's largest iron ore producer, benefited from the strong demand from China. Energy companies posted very strong returns as the price of oil remained at high levels throughout the year, which in turn benefited Portfolio holding CNOOC in China, Norsk Hydro in Norway and Respsol YPF in Spain. The utility sector was the best performing area in the EAFE Index and in the Portfolio was up 34% on strength in companies such as Korea Energy Power Company (KEPCO).

Franklin Templeton International Equity Portfolio

Relative Performance



Average Annual Total Return
For Periods Ended December 31, 2004

	1 Year	5 Years	10 Years
Franklin Templeton International Equity Portfolio	19.33%	3.39%	9.01%
EAFE Index	20.70%	-0.80%	5.94%
International Value Funds Lipper Average	20.75%	2.87%	8.18%

The performance data quoted represents past performance. Past performance is historical and does not guarantee future performance. Investment return and principal value will fluctuate, so that 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. For the most recent month-end performance information, visit www.nmfn.com.

This chart assumes an initial investment of \$10,000 made on 12/31/94. Returns shown include deductions for management and other portfolio expenses, and reinvestment of all dividends. Returns exclude deductions for separate account sales loads and account fees. Total returns, which reflect deduction of charges for the separate account are shown beginning on page iv of the Performance Summary of the Separate Account report.

As depicted in the graph, the Franklin Templeton International Equity Portfolio is compared against the Morgan Stanley Capital International EAFE ("Europe-Australasia-Far East") Index. The MSCI EAFE® Index is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US & Canada. As of December 31, 2004 the MSCI EAFE Index consisted of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. The objective of the Index is to reflect the movements of stock markets in these countries by representing an unmanaged (indexed) portfolio within each country. The Index seeks to include securities to represent 85% of the free float-adjusted market capitalization within each industry group within each country. A cross section of large, medium, and small capitalization stocks are included, taking into account liquidity concerns. The Index is calculated in U.S. dollars. The Index cannot be invested in directly and does not include administrative expenses or sales charges.

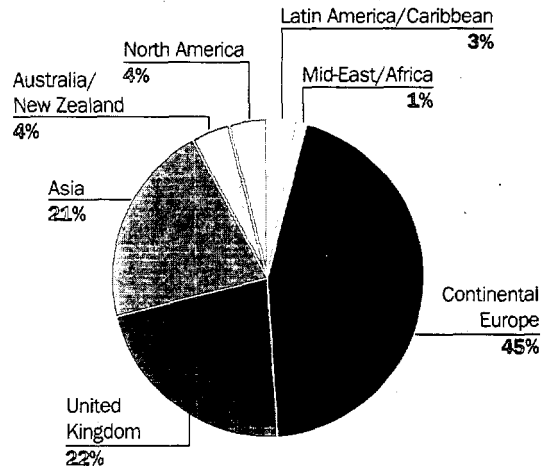
The Lipper Variable Insurance Products (VIP) International Value Funds Average is calculated by Lipper Analytical Services, Inc. and reflects the average investment return of portfolios underlying variable life and annuity products. The category consists of Funds that, by portfolio practice, invest at least 75% of their equity assets in companies strictly outside of the U.S. Value funds typically have a below-average price-to-cash flow ratio, price-to-book ratio, and three-year sales-per-share growth value compared to the S&P/Citigroup World ex-U.S. BMI. Source: Lipper, Inc.

Investors should be aware of the risks of investments in foreign securities, particularly investments in securities of companies in developing nations. These include the risks of currency fluctuation, of political and economic instability and of less well-developed government supervision and regulation of business and industry practices, as well as differences in accounting standards.

Top 10 Equity Holdings 12/31/04

Company	% of Total Net Assets
Samsung Electronics Co., Ltd.	2.1%
Suez SA	1.8%
Nordea Bank AB	1.7%
BAE Systems PLC	1.5%
BASF AG	1.5%
Norske Skogindustrier	1.5%
Telefonica SA, ADR	1.5%
Deutsche Post AG	1.4%
E.On AG	1.4%
KCI Konecranes International PLC	1.4%

Sector Allocation 12/31/04



Allocation is based on percentage of equities.
Allocation and Top 10 Holdings is subject to change.

Expense Example

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management 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 period and held for the entire period (July 1, 2004 to December 31, 2004).

Actual Expenses

The first 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 first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second 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 transactional costs. Therefore, the second 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 transactional costs were included, your costs would have been higher.

	Beginning Account Value July 1, 2004	Ending Account Value December 31, 2004	Expenses Paid During Period July 1, 2004 to December 31, 2004*
Actual	\$1,000.00	\$1,143.70	\$3.83
Hypothetical (5% return before expenses)	\$1,000.00	\$1,021.26	\$3.61

* Expenses are equal to the Fund's annualized expense ratio of 0.71%, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period).

Franklin Templeton International Equity Portfolio

Northwestern Mutual Series Fund, Inc.

Schedule of Investments

December 31, 2004

Foreign Common Stocks (96.0%)	Country	Shares/ \$ Par	Value \$ (000)'s	Foreign Common Stocks (96.0%)	Country	Shares/ \$ Par	Value \$ (000)'s
Consumer Discretionary (11.2%)				Financials continued			
Accor SA	France	173,000	7,574	DBS Group Holdings, Ltd.	Singapore	1,192,000	11,756
British Sky Broadcasting Group PLC	United Kingdom	1,225,270	13,220	HSBC Holdings PLC	United Kingdom	530,937	9,085
Compass Group PLC	United Kingdom	1,478,070	6,988	ING Groep NV	Netherlands	436,000	13,191
Fuji Photo Film Co., Ltd.	Japan	159,300	5,814	*Kookmin Bank	South Korea	130,600	5,109
GKN PLC	United Kingdom	2,091,540	9,497	Lloyds TSB Group PLC	United Kingdom	1,165,150	10,581
Koninklijke (Royal) Philips Electronics NV	Netherlands	449,135	11,911	National Australia Bank, Ltd.	Australia	514,130	11,615
Michelin SA — Class B	France	156,780	10,056	Nomura Holdings, Inc.	Japan	332,400	4,846
Pearson PLC	United Kingdom	697,770	8,420	Nordea Bank AB	Sweden	1,651,590	16,769
Reed Elsevier NV	Netherlands	645,340	8,798	Riunione Adriatica di Sicurtà SPA	Italy	447,283	10,117
Sony Corp.	Japan	200,900	7,764	Royal Bank of Scotland Group PLC	United Kingdom	303,290	10,202
Valeo SA	France	148,650	6,223	Sompo Japan Insurance, Inc.	Japan	1,103,000	11,238
Volkswagen AG	Germany	230,450	10,447	Standard Chartered PLC	United Kingdom	370,360	6,887
Wolters Kluwer NV	Netherlands	166,630	3,345	Swiss Re	Switzerland	170,200	12,139
Total			110,057	XL Capital, Ltd., — Class A	Bermuda	94,850	7,365
Consumer Staples (3.6%)				Total			196,056
Boots Group PLC	United Kingdom	601,970	7,576	Health Care (5.2%)			
Cadbury Schweppes PLC	United Kingdom	1,086,340	10,115	*CK Life Sciences International, Inc.	Hong Kong	29,640	5
Nestle SA	Switzerland	38,980	10,198	GlaxoSmithKline PLC	United Kingdom	365,910	8,585
Unilever PLC	United Kingdom	773,990	7,601	Mayne Group, Ltd.	Australia	10	0
Total			35,490	Ono Pharmaceutical Co., Ltd.	Japan	191,000	10,718
Energy (5.8%)				SANOFI- AVENTIS	France	164,625	13,157
BP PLC	United Kingdom	1,037,940	10,123	Shire Pharmaceuticals Group PLC	United Kingdom	1,124,010	11,804
ENI SPA	Italy	414,535	10,379	Takeda Pharmaceutical Co., Ltd.	Japan	140,600	7,080
IHC Caland NV	Netherlands	112,800	7,166	Total			51,349
Repsol YPF SA	Spain	493,680	12,858	Industrials (17.0%)			
Shell Transport & Trading Co. PLC	United Kingdom	1,428,430	12,176	Adecco SA	Switzerland	124,930	6,290
Total SA	France	21,182	4,627	Atlas Copco AB	Sweden	221,760	10,011
Total			57,329	BAE Systems PLC	United Kingdom	3,411,020	15,095
Financials (20.1%)				*British Airways PLC	United Kingdom	1,228,800	5,544
ACE, Ltd.	Bermuda	234,580	10,028	Deutsche Post AG	Germany	602,100	13,831
Australia & New Zealand Banking Group, Ltd.	Australia	89,588	1,446				
Axa SA	France	460,957	11,391				
*Banca Nazionale del Lavoro SPA	Italy	3,584,211	10,694				
Banco Santander Central Hispano SA	Spain	906,009	11,244				
Cheung Kong Hldgs, Ltd.	Hong Kong	1,035,000	10,353				

Franklin Templeton International Equity Portfolio

Foreign Common Stocks (96.0%)	Country	Shares/ \$ Par	Value \$ (000's)	Foreign Common Stocks (96.0%)	Country	Shares/ \$ Par	Value \$ (000's)	
Industrials continued				Telecommunication Services (9.0%)				
East Japan				BCE, Inc.	Canada	430,910	10,401	
Railway, Co.	Japan	876	4,873	KT Corp., ADR	South Korea	385,100	8,399	
Empresa Brasileira				Nippon Telegraph & Telephone Corp.				
DE AE, ADR	Brazil	148,150	4,954		Japan	1,930	8,664	
Hutchison				Portugal Telecom SA				
Whampoa, Ltd.	Hong Kong	1,081,000	10,118		Portugal	632,670	7,826	
KCI Konecranes				SK Telecom, Ltd., ADR				
International PLC	Finland	302,500	13,367		South Korea	322,890	7,184	
Rentokil Initial PLC				Telefonica SA, ADR				
	United Kingdom	2,672,940	7,582		Spain	251,528	14,212	
*Rolls-Royce Group PLC				Telefonos de Mexico SA, ADR				
	United Kingdom	1,916,990	9,091		Mexico	257,344	9,861	
Securitas AB — Class B				Telenor ASA				
	Sweden	541,000	9,281		Norway	1,208,610	10,975	
Smiths Group PLC				Vodafone Group PLC				
	United Kingdom	480,490	7,583		United Kingdom	3,802,400	10,312	
Societe Bic SA				Total				
	France	173,740	8,738				87,834	
Swire Pacific, Ltd. — Class A				Utilities (7.0%)				
	Hong Kong	1,276,500	10,675	E.On AG				
Toto, Ltd.				Endesa SA				
	Japan	873,000	8,332		Spain	211,210	4,964	
Vestas Wind Systems AS				Hong Kong Electric Holdings, Ltd.				
	Denmark	835,280	10,379		Hong Kong	1,549,500	7,077	
Volvo AB — Class B				Iberdrola SA				
	Sweden	278,740	11,052		Spain	387,080	9,839	
Total				Korea Electric Power Corp.				
			166,796		South Korea	224,850	5,832	
Information Technology (6.3%)				National Grid Transco PLC				
*Celestica, Inc.				Suez SA				
	Canada	415,600	5,862		France	646,510	17,241	
*Check Point Software Technologies, Ltd.				Total				
	Israel	387,430	9,542				68,743	
Hitachi, Ltd.				Total Foreign Common Stocks				
	Japan	1,198,000	8,301	(Cost: \$713,861)				
Nintendo Co., Ltd.				941,318				
	Japan	64,600	8,114	Money Market Investments (3.9%)				
Samsung Electronics Co., Ltd.				Autos (1.0%)				
	South Korea	46,140	20,079	Daimler Chrysler Auto,				
Toshiba Corp.				2.25%, 1/12/05				
	Japan	2,350,000	10,091		United States	10,000,000	9,993	
Total				Total				
			61,989				9,993	
Materials (10.8%)				Finance Services (1.9%)				
Akzo Nobel NV				Ciesco LLC,				
	Netherlands	234,050	9,983		2.20%, 1/3/05	United States	8,500,000	8,499
Alumina, Ltd.				Citicorp,				
	Australia	1,908,930	8,889		2.27%, 1/20/05	United States	10,000,000	9,988
BASF AG				Total				
	Germany	206,800	14,898				18,487	
Bayer AG				Autos (1.0%)				
	Germany	263,150	8,921	Daimler Chrysler Auto,				
BHP Billiton, Ltd.				2.25%, 1/12/05				
	Australia	1,042,700	12,538		United States	10,000,000	9,993	
*Cia Vale Do Rio Doce, ADR				Total				
	Brazil	461,880	11,261				9,993	
Domtar, Inc.				Finance Services (1.9%)				
	Canada	455,490	5,512	Ciesco LLC,				
Norske Skogindustrier				2.20%, 1/3/05				
	Norway	684,860	14,813		United States	8,500,000	8,499	
Stora Enso OYJ — Class R				Citicorp,				
	Finland	658,140	10,082		2.27%, 1/20/05	United States	10,000,000	9,988
UPM-Kymmene OYJ				Total				
	Finland	394,760	8,778				18,487	
Total				105,675				

Franklin Templeton International Equity Portfolio

Money Market Investments (3.9%)	Country	Shares/ \$ Par	Value \$ (000's)
Short Term Business Credit (1.0%)			
Sheffield			
Receivables, 2.23%, 1/4/05	United States	10,000,000	<u>9,998</u>
Total			<u>9,998</u>
Total Money Market Investments (Cost: \$38,478)			<u>38,478</u>
Total Investments (99.9%) (Cost \$752,339)(a)			<u>979,796</u>
Other Assets, Less Liabilities (0.1%)			<u>1,181</u>
Total Net Assets (100.0%)			<u>980,977</u>

* Non-Income Producing

ADR — American Depository Receipt

- (a) At December 31, 2004 the aggregate cost of securities for federal tax purposes (in thousands) was \$754,397 and the net unrealized appreciation of investments based on that cost was \$225,399 which is comprised of \$242,967 aggregate gross unrealized appreciation and \$17,568 aggregate gross unrealized depreciation.

Investment Percentage by Country:

United Kingdom	21.3%
Japan	9.8%
France	8.1%
Germany	6.3%
Netherlands	5.6%
Spain	5.4%
Other	<u>43.5%</u>
Total	<u>100.0%</u>

The Accompanying Notes are an Integral Part of the Financial Statements

AllianceBernstein Mid Cap Value Portfolio

Objective:

Long-term growth of capital and current income.

Portfolio Strategy:

Invest primarily in the equity securities of mid-sized companies that are believed to be undervalued.

Net Assets:

\$72 million

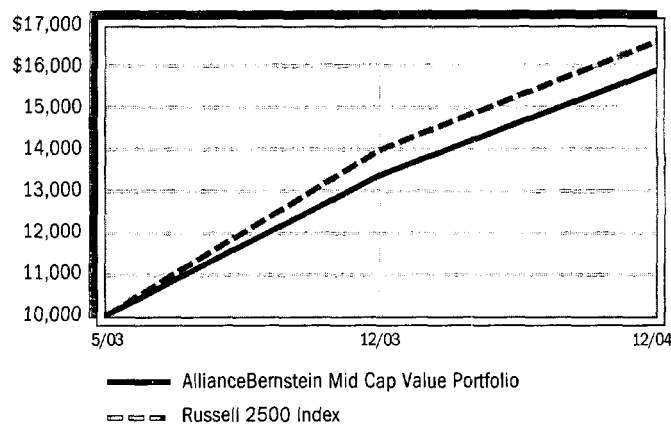
The primary investment objective of the AllianceBernstein Mid Cap Value Portfolio is long-term capital growth. The portfolio invests primarily in a diversified portfolio of equities of mid-sized companies that are believed to be undervalued. The portfolio's investment policies emphasize investment in companies that are determined by Alliance to be undervalued, using Bernstein's fundamental value approach. In selecting investments, management uses its fundamental research to identify companies whose long-term earnings power is not reflected in the current market price of their securities.

2004 was another great year for small- and mid-cap stocks, and for the sixth consecutive year, the Russell 2500 Index beat the broad market, as represented by the Standard & Poor's (S&P) 500 Stock Index. For the year, the Portfolio returned 18.67%, slightly outperforming its style-neutral benchmark, the Russell 2500 Index, which returned 18.29%, but modestly trailing the value benchmark, the Russell 2500 Value Index, which returned 21.58% during the same period. Within the small- and mid-cap universe, larger stocks are now much cheaper than smaller stocks, and the Portfolio's management team has positioned the Portfolio to take advantage of this valuation disparity.

The Portfolio outperformed its benchmark, the Russell 2500 Index, returning 18.67% versus 18.29% for the benchmark during the twelve months ended December 31, 2004. Both sector selection and stock selection contributed to our premium during 2004. Strong stock selection in the producer durables, materials and processing and consumer staples sectors offset negative stock selection positions in the financial services, consumer discretionary and autos & transportation sectors. An underweighted position in the technology sector, in addition to an overweighted position in the materials and processing sector, also contributed to the Portfolio's premium. Notable contributors for the year included Terex, PacificCare Health Systems, Texas Industries, Andrew and FMC. Detractors during the annual period included Vishay Intertechnology, Group 1 Automotive, American Axle & Manufacturing, Dana Corp. and Universal Health.

With no major controversy creating anxiety today, there are few sizeable value themes and the value opportunity, as we measure it, is smaller than usual. Our research continues to identify, however, some pockets of opportunity. We remain convinced that among small companies, larger is cheaper. After a period of extraordinary outperformance, the smallest companies in the Russell 2500 Index are still posting losses collectively, while the largest are selling at just 22 times trailing earnings. Moreover, the larger the company, the cheaper it gets. The discount of larger-cap stocks within the group is all the more striking because over the long-term, the largest small-cap companies have delivered higher returns on both equity and investment, with lower volatility. Looking at sectors, we continue to maintain a pro-cyclical investment stance, although the character is shifting somewhat. Overweighted positions in commodities and capital equipment have been pared as stocks have appreciated. That capital has been recycled into consumer stocks as anxiety about consumer spending has created some relative bargains. We have also been investing in business services as we feel that there are companies with attractive valuations that are likely to enjoy improved results with an eventual rebound in white collar employment that accompanies every economic recovery.

Relative Performance



Average Annual Total Return For Periods Ended December 31, 2004

	1 Year	Since Inception*
AllianceBernstein Mid Cap Value Portfolio	18.67%	31.55%
Russell 2500 Index	18.29%	34.96%
Mid Cap Value Funds Lipper Average	19.03%	—

*inception date of 5/1/03

The performance data quoted represents past performance. Past performance is historical and does not guarantee future performance. Investment return and principal value will fluctuate, so that 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. For the most recent month-end performance information, visit www.nmfn.com.

This chart assumes an initial investment of \$10,000 made on 5/1/03 (commencement of the Portfolio's operations). Returns shown reflect fee waivers, deductions for management and other portfolio expenses, and reinvestment of all dividends. In the absence of fee waivers, total return would be reduced. Returns exclude deductions for separate account sales loads and account fees. Total returns, which reflect deduction of charges for the separate account are shown beginning on page iv of the Performance Summary of the Separate Account report.

The Russell 2500 Index measures the performance of the 2,500 smallest companies in the Russell 3000 Index. The Russell 3000 Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization. These 3,000 companies represent approximately 98% of the investable US equity market. As of the latest reconstitution, the average market capitalization of companies in the Russell 3000 was approximately \$4.4 billion; the median market capitalization was approximately \$822.4 million. Market capitalization of companies in the Index ranged from \$317.8 billion to \$175.8 million. The index is unmanaged and cannot be invested in directly and does not include administrative expenses or sales charges.

The Russell 2500 Index represents approximately 16% of the total market capitalization of the Russell 3000 Index. As of the latest reconstitution, the average market capitalization of companies in the Russell 2500 was approximately \$992.9 million; the median market capitalization was approximately \$640 million. The largest company in the Index had an approximate market capitalization of \$4.0 billion.

The Lipper Variable Insurance Products (VIP) Mid Cap Value Funds Average is calculated by Lipper Analytical Services, Inc. and reflects the average investment return of portfolios underlying variable life and annuity products. The category consists of Funds that, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) less than 300% of the dollar-weighted median market capitalization of the middle 1,000 securities of the S&P SuperComposite 1500 Index. Mid-cap value funds typically have a below-average price-to-earnings ratio, price-to-book ratio, and three-year sales-per-share growth value, compared to the S&P MidCap 400 Index. Source: Lipper, Inc.

Investing in small company stocks involves a greater degree of risk than investing in medium or large company stocks.

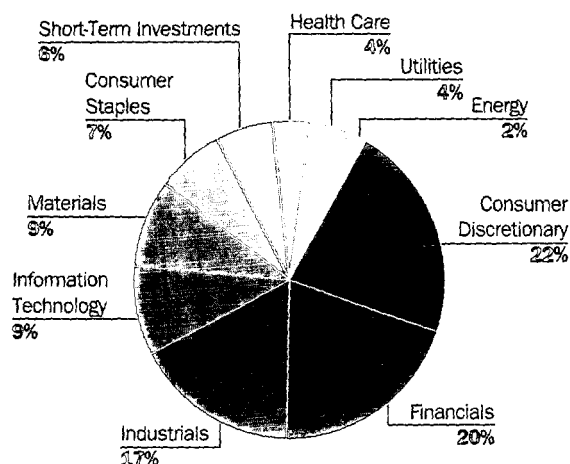
Investing in medium company stocks involves a greater degree of risk than investing in large company stocks.

AllianceBernstein Mid Cap Value Portfolio

Top 10 Equity Holdings 12/31/04

Company	% of Total Net Assets
URS Corp.	2.1%
A.G. Edwards, Inc.	1.9%
Constellation Brands, Inc. - Class A	1.9%
Radian Group, Inc.	1.8%
Borders Group, Inc.	1.8%
Jones Apparel Group, Inc.	1.8%
ArvinMeritor, Inc.	1.7%
MAF Bancorp, Inc.	1.6%
Universal Corp.	1.6%
PacificCare Health Systems, Inc.	1.6%

Sector Allocation 12/31/04



Sector Allocation is based on Net Assets.
Sector Allocation and Top 10 Holdings are subject to change.

Expense Example

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management 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 period and held for the entire period (July 1, 2004 to December 31, 2004).

Actual Expenses

The first 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 first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second 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 transactional costs. Therefore, the second 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 transactional costs were included, your costs would have been higher.

	Beginning Account Value July 1, 2004	Ending Account Value December 31, 2004	Expenses Paid During Period July 1, 2004 to December 31, 2004*
Actual	\$1,000.00	\$1,118.30	\$4.66
Hypothetical (5% return before expenses)	\$1,000.00	\$1,020.43	\$4.44

* Expenses are equal to the Fund's annualized expense ratio of 0.88%, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period).

AllianceBernstein Mid Cap Value Portfolio

Northwestern Mutual Series Fund, Inc.

Schedule of Investments

December 31, 2004

Common Stocks (94.1%)	Shares/ \$ Par	Value \$ (000's)	Common Stocks (94.1%)	Shares/ \$ Par	Value \$ (000's)
Consumer Discretionary (22.0%)			Health Care (4.2%)		
American Axle & Manufacturing Holdings, Inc.	32,500	996	Owens & Minor, Inc.	41,050	1,156
ArvinMeritor, Inc.	53,800	1,204	*PacifiCare Health Systems, Inc.	20,500	1,159
*AutoNation, Inc.	47,900	920	Universal Health Services, Inc. — Class B	16,000	712
Beazer Homes USA, Inc.	6,200	907	Total		3,027
Borders Group, Inc.	50,300	1,278	Industrials (16.8%)		
BorgWarner, Inc.	14,400	780	Cooper Industries, Ltd. — Class A	12,000	815
Dana Corp.	51,700	896	Harsco Corp.	14,200	792
Federated Department Stores, Inc.	6,400	370	Hughes Supply, Inc.	31,700	1,025
Foot Locker, Inc.	9,100	245	*Moog, Inc. — Class A	25,200	1,143
*Group 1 Automotive, Inc.	34,900	1,099	Mueller Industries, Inc.	19,600	631
Jones Apparel Group, Inc.	34,800	1,273	PACCAR, Inc.	9,750	785
Liz Claiborne, Inc.	27,400	1,157	Parker-Hannifin Corp.	10,500	795
The Neiman Marcus Group, Inc. — Class A	16,000	1,145	Reliance Steel & Aluminum Co.	25,000	974
*Office Depot, Inc.	66,200	1,149	*Terex Corp.	12,600	600
*Payless ShoeSource, Inc.	82,800	1,018	Textron, Inc.	12,000	886
RadioShack Corp.	22,200	730	*United Stationers, Inc.	24,700	1,141
V. F. Corp.	13,900	770	*URS Corp.	46,200	1,482
Total		15,937	USF Corp.	27,000	1,025
Consumer Staples (7.2%)			Total		12,094
*BJ's Wholesale Club, Inc.	39,000	1,136	Information Technology (8.8%)		
*Constellation Brands, Inc. — Class A	28,700	1,335	*ADC Telecommunications, Inc.	235,000	630
Corn Products International, Inc.	9,100	487	*Andrew Corp.	79,900	1,089
*Del Monte Foods Co.	95,800	1,056	Anixter International, Inc.	25,900	932
Universal Corp.	24,400	1,167	IKON Office Solutions, Inc.	89,100	1,030
Total		5,181	*Tech Data Corp.	18,000	817
Energy (2.3%)			*Tellabs, Inc.	70,000	601
Pogo Producing Co.	19,100	926	*Vishay Intertechnology, Inc.	60,400	907
*SEACOR Holdings, Inc.	13,900	742	*Western Digital Corp.	31,700	344
Total		1,668	Total		6,350
Financials (20.3%)			Materials (8.9%)		
A.G. Edwards, Inc.	31,600	1,366	Albemarle Corp.	27,500	1,065
Astoria Financial Corp.	23,300	931	Ball Corp.	19,200	844
Banknorth Group, Inc.	12,000	439	Crompton Corp.	35,000	413
Central Pacific Financial Corp.	20,300	734	Cytec Industries, Inc.	21,300	1,096
Commercial Federal Corp.	34,000	1,010	MeadWestvaco Corp.	18,000	610
Fidelity National Financial, Inc.	6,300	288	Silgan Holdings, Inc.	11,700	713
Hibernia Corp. — Class A	35,000	1,033	Texas Industries, Inc.	14,900	929
MAF Bancorp, Inc.	26,500	1,188	United States Steel Corp.	14,500	743
Old Republic International Corp.	40,400	1,022	Total		6,413
Popular, Inc.	27,600	796	Utilities (3.6%)		
Radian Group, Inc.	24,200	1,288	Northeast Utilities	32,800	618
Sovereign Bancorp, Inc.	38,600	870	PNM Resources, Inc.	22,800	577
StanCorp Financial Group, Inc.	13,000	1,073	Puget Energy, Inc.	43,700	1,079
UnionBanCal Corp.	12,000	774	WPS Resources Corp.	6,100	305
Washington Federal, Inc.	34,000	902	Total		2,579
Whitney Holding Corp.	20,100	904	Total Common Stocks		
Total		14,618	(Cost: \$53,566)		
			67,867		

AllianceBernstein Mid Cap Value Portfolio

<u>Money Market Investments (5.7%)</u>	<u>Shares/ \$ Par</u>	<u>Value \$ (000's)</u>
Federal Government & Agencies (5.7%)		
Federal Home Loan Bank, 2.10%, 1/18/05	4,100,000	<u>4,096</u>
Total Money Market Investments (Cost: \$4,096)		<u>4,096</u>
Total Investments (99.8%) (Cost \$57,662)(a)		<u>71,963</u>
Other Assets, Less Liabilities (0.2%)		<u>168</u>
Total Net Assets (100.0%)		<u>72,131</u>

* Non-Income Producing

(a) At December 31, 2004 the aggregate cost of securities for federal tax purposes (in thousands) was \$57,668 and the net unrealized appreciation of investments based on that cost was \$14,295 which is comprised of \$14,710 aggregate gross unrealized appreciation and \$415 aggregate gross unrealized depreciation.

The Accompanying Notes are an Integral Part of the Financial Statements

Index 400 Stock Portfolio

Objective:

Long-term capital appreciation through cost-effective participation in broad market performance

Portfolio Strategy:

Invest in a portfolio designed to approximate the composition and returns of the S&P MidCap 400 Index.

Net Assets:

\$427 million

The Index 400 Stock Portfolio seeks investment results that approximate the performance of the Standard & Poor's MidCap 400 Composite Stock Price Index by investing in stocks included in the S&P MidCap 400 Index, which is composed of 400 common stocks. The S&P MidCap 400 Index does not include the very large issues that account for most of the weighting in the S&P 500® Index. Most of the companies in the S&P MidCap 400 Index have a market value in the range of \$750 million to \$5 billion. The Portfolio's strategy is to capture mid-cap market performance by investing in a portfolio modeled after a mid-cap stock index. The Portfolio invests in stocks included in the S&P MidCap 400 Index in proportion to their weightings in the Index, and may buy or sell securities after announced changes in the Index but before or after the effective date of the changes to attempt to achieve higher correlation with the Index. The Index 400 Stock Portfolio is not managed in the traditional sense using economic, financial and market analysis. A computer program is used to determine which stocks are to be purchased or sold to achieve the Portfolio's objective. Therefore, the Portfolio remains neutral relative to the benchmark in terms of economic sectors, market capitalization and growth and value styles of investing. The Portfolio will, to the extent feasible, remain full invested, and cash flows are invested promptly to attempt to minimize their impact on returns. The Portfolio may purchase Index futures contracts in amounts approximating the cash held in the Index.

For the year ended December 31, 2004, the Index 400 Stock Portfolio had a return of 16.26%, slightly behind the return on the S&P MidCap 400 Index of 16.49%. (This Index is unmanaged, cannot be invested in directly and does not include administrative expenses or sales charges.) Portfolio performance slightly lagged the S&P 400 MidCap Index due to transaction costs, administrative expenses, cash flow effects and holdings of stock index futures contracts. The average return for the Portfolio's peer group, Mid-Cap Core Funds, was 16.47% for the year ended December 31, 2004, according to Lipper Analytical Services, Inc. ("Lipper"), an independent mutual fund ranking agency. However, the Mid-Cap Core Funds peer group is not strictly comparable to the Index 400 Stock Portfolio because many of the portfolios in the group are actively managed.

Following a spectacular year for stocks in 2003, the U.S. stock market experienced very nice gains again for the year ended December 31, 2004. The S&P 500 Index posted a gain of 10.88%. The higher risk segments of the market posted even larger gains: the S&P SmallCap 600 Index gained 22.65% and the S&P MidCap 400 Index gained 16.49% for the year. The majority of the gains in

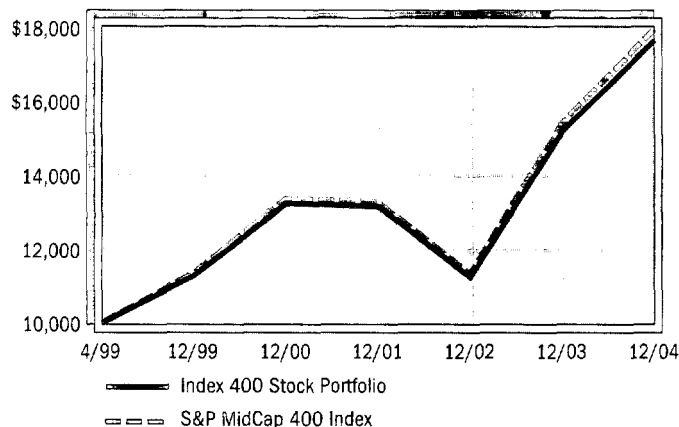
2004, however, came in the fourth quarter alone. Earlier in the year the stock market languished, as a number of economic concerns dampened investors' spirits. A combination of rising oil prices, a weakening dollar, rising interest rates, the Iraqi war, and the upcoming presidential election put a drag on the economy and the market. But in the fourth quarter, especially following the November elections, the market experienced a dramatic turnaround. A significant drop in oil prices beginning in October also served as a catalyst for the change, and the gains made during the fourth quarter accounted for most of the gain for the year. The fourth quarter alone accounted for 9.23% of the S&P 500 Index's 2004 annual gain of 10.88%. For the S&P MidCap 400 Index, the fourth quarter accounted for 12.16% of its 2004 annual gain of 16.49%.

The 400 stocks in the MidCap 400 Index are divided into ten industry sectors. For the year ended December 31, 2004, all but one of the sectors showed substantial gains. The strongest sectors were Energy (up 31.82%), Materials (up 28.14%), Consumer Staples (up 20.74%), Consumer Discretionary (up 18.38%) and Industrials (up 18.15%). Energy was the top performing sector for the year, benefiting from a dramatic rise in oil prices through much of 2004. However, oil prices dropped substantially beginning in October and the sector turned in poor performance for the fourth quarter. Other sectors that performed well were Financials (up 17.04%), Health Care (up 14.94%), Utilities (up 14.39%) and Telecommunications Services (up 13.31%). The only sector with negative performance for the year was Information Technology (down -3.70%). The sector was hit hard earlier in 2004 as investors turned more defensive, but Info Tech stocks had a very nice gain in the fourth quarter as the market rallied and investors were willing to take on more risk.

The Portfolio seeks to track the performance and weightings of stocks in the S&P MidCap 400 Index. Accordingly, changes are made to the Portfolios' holdings as the Index changes. Such changes occur as companies go public or private, merge, divest or have major changes in market capitalization. Additionally, Standard & Poor's adjusts the Index to better reflect the companies that are most representative of the composition of the U.S. economy. There were 25 additions to the Index during 2004. Those added in the fourth quarter were Advance Auto Parts, Crane Co., Deluxe Corp., Steel Dynamics, Worthington Industries, Weingarten Realty CBI, Techne Corp. and VCA Antech. There were also 25 companies eliminated from the Index during the year. Those eliminated during the fourth quarter were XTO Energy, Six Flags, Quantum Corp., Superior Industries, Compass Bancshares, L-3 Communications, Advanced Fibre Communications and IMC Global.

Index 400 Stock Portfolio

Relative Performance



Average Annual Total Return
For Periods Ended December 31, 2004

	1 Year	5 Years	Since Inception*
Index 400 Stock Portfolio	16.26%	9.33%	10.51%
S&P MidCap 400 Index	16.49%	9.54%	10.83%
Mid Cap Core Funds Lipper Average	16.47%	9.51%	-

*inception date of 4/30/99

The performance data quoted represents past performance. Past performance is historical and does not guarantee future performance. Investment return and principal value will fluctuate, so that 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. For the most recent month-end performance information, visit www.nmf.com.

This chart assumes an initial investment of \$10,000 made on 4/30/99 (commencement of the Portfolio's operations). Returns shown reflect fee waivers, deductions for management and other portfolio expenses, and reinvestment of all dividends. In the absence of fee waivers, total return would be reduced. Returns exclude deductions for separate account sales loads and account fees. Total returns, which reflect deduction of charges for the separate account are shown beginning on page iv of the Performance Summary of the Separate Account report.

The S&P MidCap 400 Index is a capitalization-weighted index that measures the performance of the mid-range sector of the U.S. stock market. As of December 31, 2004, the 400 companies in the composite had a median market capitalization of \$2.4 billion and a total market value of \$1.1 trillion. The MidCap 400 represents approximately 5.8% of the market value of the Compustat's database of about 9,381 equities. The index cannot be invested in directly and does not include sales charges.

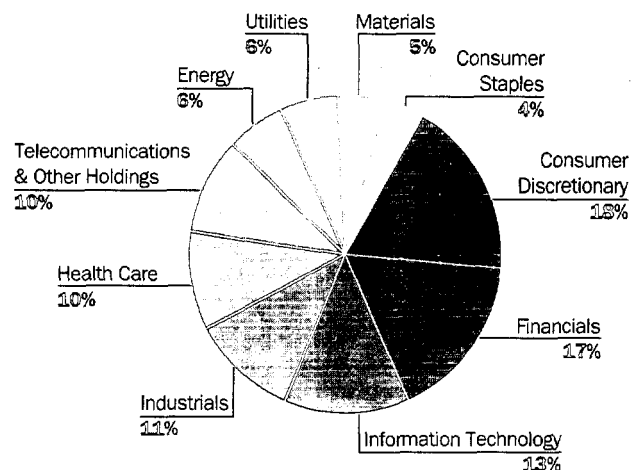
The Lipper Variable Insurance Products (VIP) Mid Cap Core Funds Average is calculated by Lipper Analytical Services, Inc. and reflects the average investment return of portfolios underlying variable life and annuity products. The category consists of Funds that, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) less than 300% of the dollar-weighted median market capitalization of the middle 1,000 securities of the S&P SuperComposite 1500 Index. Mid-cap core funds have more latitude in the companies in which they invest. These funds typically have an average price-to-earnings ratio, price-to-book ratio, and three-year sales-per-share growth value, compared to the S&P MidCap 400 Index. Source: Lipper, Inc.

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Top 10 Equity Holdings 12/31/04

Company	% of Total Net Assets
D.R. Horton, Inc.	0.8%
The Washington Post Co. - Class B	0.8%
Lennar Corp. - Class A	0.7%
Harman International Industries, Inc.	0.7%
Fidelity National Financial, Inc.	0.7%
Murphy Oil Corp.	0.6%
Legg Mason, Inc.	0.6%
Lyondell Chemical Co.	0.6%
Weatherford International, Ltd.	0.6%
Tyson Foods, Inc. - Class A	0.5%

Sector Allocation 12/31/04



Sector Allocation is based on equities.

Sector Allocation and Top 10 Holdings are subject to change.

Expense Example

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management 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 period and held for the entire period (July 1, 2004 to December 31, 2004).

Actual Expenses

The first 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 first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second 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 transactional costs. Therefore, the second 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 transactional costs were included, your costs would have been higher.

	Beginning Account Value July 1, 2004	Ending Account Value December 31, 2004	Expenses Paid During Period July 1, 2004 to December 31, 2004*
Actual	\$1,000.00	\$1,097.50	\$1.39
Hypothetical (5% return before expenses)	\$1,000.00	\$1,023.51	\$1.34

* Expenses are equal to the Fund's annualized expense ratio of 0.26%, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period).

Index 400 Stock Portfolio

Northwestern Mutual Series Fund, Inc. Schedule of Investments December 31, 2004

Common Stocks (90.3%)	Shares/ \$ Par	Value \$ (000's)
Consumer Discretionary (17.6%)		
*99 Cents Only Stores	24,833	401
Abercrombie & Fitch Co. — Class A	33,800	1,587
*Advance Auto Parts, Inc.	26,700	1,166
*Aeropostale, Inc.	19,900	586
American Eagle Outfitters, Inc.	26,350	1,241
American Greetings Corp. — Class A	24,500	621
*AnnTaylor Stores Corp.	25,150	541
Applebee's International, Inc.	28,900	764
ArvinMeritor, Inc.	24,750	554
Bandag, Inc.	6,900	344
*Barnes & Noble, Inc.	25,000	807
Belo Corp. — Class A	41,000	1,076
Blyth, Inc.	14,600	432
Bob Evans Farms, Inc.	12,600	329
Borders Group, Inc.	26,800	681
BorgWarner, Inc.	20,100	1,089
Boyd Gaming Corp.	31,100	1,295
*Brinker International, Inc.	30,850	1,082
*Caesars Entertainment, Inc.	111,800	2,252
Callaway Golf Co.	27,200	367
*CarMax, Inc.	37,200	1,155
Catalina Marketing Corp.	18,700	554
CBRL Group, Inc.	17,200	720
*The Cheesecake Factory, Inc.	27,750	901
*Chico's FAS, Inc.	31,900	1,452
Claire's Stores, Inc.	35,300	750
D.R. Horton, Inc.	83,250	3,357
*Dollar Tree Stores, Inc.	40,400	1,159
*Emmis Communications Corp. — Class A	20,100	386
*Entercom Communications Corp. — Class A	17,800	639
Foot Locker, Inc.	55,600	1,497
Furniture Brands International, Inc.	18,900	473
Gentex Corp.	27,700	1,025
GTECH Holdings Corp.	41,400	1,074
Harman International Industries, Inc.	23,900	3,035
Harte-Hanks, Inc.	30,450	791
*Hovnanian Enterprises, Inc. — Class A	21,800	1,080
International Speedway Corp. — Class A	19,000	1,003
*Krispy Kreme Doughnuts, Inc.	22,000	277
Lear Corp.	24,000	1,464
Lee Enterprises, Inc.	16,100	742
Lennar Corp. — Class A	55,700	3,157
Mandalay Resort Group	24,100	1,697
Media General, Inc. — Class A	8,500	551
Michaels Stores, Inc.	48,400	1,451
Modine Manufacturing Co.	12,300	415
*Mohawk Industries, Inc.	23,800	2,172
The Neiman Marcus Group, Inc. — Class A	17,400	1,245
*O'Reilly Automotive, Inc.	19,700	887
Outback Steakhouse, Inc.	26,300	1,204
*Pacific Sunwear of California, Inc.	26,500	590

Common Stocks (90.3%)	Shares/ \$ Par	Value \$ (000's)
Consumer Discretionary continued		
*Payless ShoeSource, Inc.	24,342	299
PETSMART, Inc.	51,800	1,840
Pier 1 Imports, Inc.	30,700	605
The Reader's Digest Association, Inc. — Class A	35,500	494
Regis Corp.	15,800	729
*Rent-A-Center, Inc.	27,100	718
Ross Stores, Inc.	52,700	1,521
Ruby Tuesday, Inc.	23,200	605
Ryland Group, Inc.	17,000	978
Saks, Inc.	49,800	723
*Scholastic Corp.	14,200	525
Thor Industries, Inc.	20,300	752
*The Timberland Co. — Class A	12,300	771
*Toll Brothers, Inc.	26,700	1,832
Tupperware Corp.	20,900	433
*Urban Outfitters, Inc.	28,900	1,283
*Valassis Communications, Inc.	18,300	641
The Washington Post Co. — Class B	3,400	3,343
*Westwood One, Inc.	34,300	924
*Williams-Sonoma, Inc.	41,600	1,458
Total		74,592
Consumer Staples (4.1%)		
*BJ's Wholesale Club, Inc.	24,800	722
Church & Dwight Co., Inc.	22,250	748
*Constellation Brands, Inc. — Class A	38,500	1,791
*Dean Foods Co.	53,214	1,753
*Energizer Holdings, Inc.	27,800	1,381
Hormel Foods Corp.	49,500	1,552
The J.M. Smucker Co.	20,796	979
Lancaster Colony Corp.	12,500	536
PepsiAmericas, Inc.	49,400	1,049
Ruddick Corp.	16,700	362
*Smithfield Foods, Inc.	39,600	1,172
Tootsie Roll Industries, Inc.	18,654	646
Tyson Foods, Inc. — Class A	126,040	2,320
Universal Corp.	9,100	435
Whole Foods Market, Inc.	22,200	2,117
Total		17,563
Energy (6.1%)		
*Cooper Cameron Corp.	19,600	1,055
ENSCO International, Inc.	53,900	1,711
*FMC Technologies, Inc.	24,369	785
*Forest Oil Corp.	21,200	672
*Grant Prideco, Inc.	44,100	884
*Hanover Compressor Co.	27,900	394
Helmerich & Payne, Inc.	18,000	613
Murphy Oil Corp.	32,800	2,640
*National-Oilwell, Inc.	30,700	1,083
*Newfield Exploration Co.	22,200	1,311
Noble Energy, Inc.	21,000	1,295
Overseas Shipholding Group, Inc.	14,100	778
Patterson-UTI Energy, Inc.	59,800	1,163

Index 400 Stock Portfolio

Common Stocks (90.3%)	Shares/ \$ Par	Value \$ (000's)	Common Stocks (90.3%)	Shares/ \$ Par	Value \$ (000's)
Energy continued			Financials continued		
Pioneer Natural Resources Co.	52,100	1,829	Protective Life Corp.	24,800	1,059
*Plains Exploration and Production Co.	27,500	715	Radian Group, Inc.	32,800	1,746
Pogo Producing Co.	23,000	1,115	Raymond James Financial, Inc.	26,350	816
*Pride International, Inc.	48,600	998	Rayonier, Inc.	17,811	871
*Smith International, Inc.	37,400	2,035	SEI Investments Co.	36,600	1,535
Tidewater, Inc.	21,600	769	*Silicon Valley Bancshares	12,800	574
*Varco International, Inc.	34,962	1,019	StanCorp Financial Group, Inc.	10,100	833
*Weatherford International, Ltd.	48,500	2,488	TCF Financial Corp.	49,500	1,591
Western Gas Resources, Inc.	26,400	772	United Dominion Realty Trust, Inc.	47,300	1,173
Total		26,124	Unitrin, Inc.	24,500	1,114
Financials (16.7%)			W.R. Berkley Corp.	30,000	1,415
A.G. Edwards, Inc.	27,300	1,180	Waddell & Reed Financial, Inc. — Class A	29,500	705
*Allmerica Financial Corp.	19,000	624	Washington Federal, Inc.	28,150	747
AMB Property Corp.	29,600	1,196	Webster Financial Corp.	18,900	957
American Financial Group, Inc.	26,300	823	Weingarten Realty Investments	31,700	1,271
*AmeriCredit Corp.	55,400	1,355	Westamerica Bancorporation	11,400	665
AmerUs Group, Co.	14,000	634	Wilmington Trust Corp.	24,000	868
Arthur J. Gallagher & Co.	33,000	1,073	Total		71,347
Associated Banc-Corp.	46,263	1,536	Health Care (9.7%)		
Astoria Financial Corp.	26,600	1,063	*Apria Healthcare Group, Inc.	17,300	570
Bank of Hawaii Corp.	18,900	959	*Barr Pharmaceuticals, Inc.	36,600	1,667
Banknorth Group, Inc.	62,800	2,297	Beckman Coulter, Inc.	21,700	1,454
Brown & Brown, Inc.	24,700	1,076	*Cephalon, Inc.	20,600	1,048
City National Corp.	17,600	1,243	*Charles River Laboratories International, Inc.	23,100	1,063
The Colonial BancGroup, Inc.	47,700	1,013	*Community Health Systems, Inc.	31,100	867
Commerce Bancorp, Inc.	28,300	1,823	*Covance, Inc.	22,300	864
Cullen/Frost Bankers, Inc.	18,600	904	*Coventry Health Care, Inc.	32,000	1,699
Developers Diversified Realty Corp.	38,500	1,708	*Cytoc Corp.	39,900	1,100
Eaton Vance Corp.	24,000	1,252	DENTSPLY International, Inc.	28,850	1,621
Everest Re Group, Ltd.	20,000	1,791	*Edwards Lifesciences Corp.	21,200	875
Fidelity National Financial, Inc.	62,315	2,845	*First Health Group Corp.	32,800	614
The First American Corp.	32,000	1,124	*Health Net, Inc.	39,600	1,143
FirstMerit Corp.	30,100	858	*Henry Schein, Inc.	15,400	1,072
GATX Corp.	17,600	520	Hillenbrand Industries, Inc.	22,100	1,227
Greater Bay Bancorp	18,200	507	*INAMED Corp.	12,800	810
HCC Insurance Holdings, Inc.	24,200	802	*Invitrogen Corp.	18,300	1,228
Hibernia Corp. — Class A	55,400	1,635	*IVAX Corp.	89,531	1,416
Highwoods Properties, Inc.	19,100	529	*LifePoint Hospitals, Inc.	13,800	481
Horace Mann Educators Corp.	15,300	292	*Lincare Holdings, Inc.	35,800	1,527
Hospitality Properties Trust	24,000	1,104	*Millennium Pharmaceuticals, Inc. Omnicare, Inc.	109,200	1,324
Independence Community Bank Corp.	30,200	1,286	*PacifiCare Health Systems, Inc.	37,200	1,288
IndyMac Bancorp, Inc.	22,100	761	*Par Pharmaceutical Companies, Inc.	30,100	1,701
Investors Financial Services Corp.	23,700	1,185	*Patterson Companies, Inc. Perrigo Co.	12,100	501
Jefferies Group, Inc.	20,400	822	*Protein Design Labs, Inc.	49,000	2,125
*LaBranche & Co., Inc.	21,400	192	*Renal Care Group, Inc.	25,800	446
Legg Mason, Inc.	35,950	2,633	*Sepracor, Inc.	34,100	705
Leucadia National Corp.	25,600	1,779	*STERIS Corp.	24,050	866
Liberty Property Trust	30,600	1,322	*Techne Corp.	37,500	2,225
Mack-Cali Realty Corp.	21,700	999	*STERIS Corp.	24,700	586
Mercantile Bankshares Corp.	28,300	1,477	*Triad Hospitals, Inc.	14,700	572
MoneyGram International, Inc.	31,600	668	Universal Health Services, Inc. — Class B	27,439	1,021
New Plan Excel Realty Trust, Inc.	36,600	991	Valeant Pharmaceuticals International	20,800	926
New York Community Bancorp, Inc.	94,621	1,946	*Varian Medical Systems, Inc.	30,000	791
*Ohio Casualty Corp.	22,100	513	*Varian, Inc.	48,500	2,096
Old Republic International Corp.	65,100	1,647		12,400	509
The PMI Group, Inc.	34,000	1,420			

Index 400 Stock Portfolio

Common Stocks (90.3%)	Shares/ \$ Par	Value \$ (000's)
Health Care continued		
*VCA Antech, Inc.	29,300	574
*Vertex Pharmaceuticals, Inc.	28,700	303
*VISX, Inc.	17,700	458
Total		41,363
Industrials (11.5%)		
Adesa, Inc.	32,700	694
*AGCO Corp.	32,200	705
*AirTran Holdings, Inc.	30,600	327
*Alaska Air Group, Inc.	9,600	322
Alexander & Baldwin, Inc.	15,200	645
*Alliant Techsystems, Inc.	13,500	883
AMETEK, Inc.	24,500	874
Banta Corp.	8,900	398
The Brink's Co.	20,300	802
C.H. Robinson Worldwide, Inc.	30,500	1,693
*Career Education Corp.	36,600	1,464
Carlisle Companies, Inc.	11,100	721
*ChoicePoint, Inc.	31,700	1,458
CNF, Inc.	18,400	922
*Copart, Inc.	32,100	845
*Corinthian Colleges, Inc.	32,300	609
Crane Co.	21,100	609
Deluxe Corp.	17,900	668
*DeVry, Inc.	25,100	436
Donaldson Co., Inc.	29,700	968
*The Dun & Bradstreet Corp.	24,800	1,479
*Dycom Industries, Inc.	17,300	528
*Education Management Corp.	26,200	865
Expeditors International of Washington, Inc.	38,000	2,124
Fastenal Co.	27,100	1,668
Federal Signal Corp.	17,200	304
*Flowserve Corp.	19,700	543
Graco, Inc.	24,700	923
Granite Construction, Inc.	14,900	396
Harsco Corp.	14,700	819
Herman Miller, Inc.	25,200	696
HNI Corp.	20,100	865
Hubbell, Inc. — Class B	21,700	1,135
*ITT Educational Services, Inc.	16,400	780
J.B. Hunt Transport Services, Inc.	29,000	1,301
*Jacobs Engineering Group, Inc.	20,100	961
*JetBlue Airways Corp.	36,950	858
Kelly Services, Inc. — Class A	12,600	380
Kennametal, Inc.	13,600	677
*Korn/Ferry International	13,900	288
*Laureate Education, Inc.	17,219	759
Manpower, Inc.	32,200	1,555
Nordson Corp.	12,900	517
Pentair, Inc.	36,000	1,568
Precision Castparts Corp.	23,500	1,543
*Quanta Services, Inc.	41,800	334
Republic Services, Inc.	53,800	1,805
Rollins, Inc.	16,350	430
*Sequa Corp. — Class A	3,700	226
*Sotheby's Holdings, Inc. — Class A	22,700	412
SPX Corp.	26,800	1,074

Common Stocks (90.3%)	Shares/ \$ Par	Value \$ (000's)
Industrials continued		
*Stericycle, Inc.	16,100	740
*Swift Transportation Co., Inc.	26,200	563
Tecumseh Products Co. — Class A	6,600	315
Teleflex, Inc.	14,400	748
*Thomas & Betts Corp.	21,100	649
Trinity Industries, Inc.	17,000	579
*United Rentals, Inc.	27,800	525
Werner Enterprises, Inc.	28,150	637
York International Corp.	14,800	511
Total		49,123
Information Technology (13.2%)		
*3Com Corp.	135,500	565
*Activision, Inc.	49,650	1,002
Acxiom Corp.	30,800	810
ADTRAN, Inc.	27,300	523
*Advent Software, Inc.	11,600	238
*Alliance Data Systems Corp.	29,200	1,386
*Amphenol Corp. — Class A	31,600	1,161
*Arrow Electronics, Inc.	41,400	1,006
*Ascential Software Corp.	20,975	342
*Atmel Corp.	170,400	668
*Avnet, Inc.	43,000	784
*Avocent Corp.	17,800	721
*The BISYS Group, Inc.	42,900	706
*Cabot Microelectronics Corp.	8,892	356
*Cadence Design Systems, Inc.	96,500	1,333
CDW Corp.	29,700	1,971
*Ceridian Corp.	53,000	969
Certegy, Inc.	22,300	792
*CheckFree Corp.	31,000	1,180
*Cognizant Technology Solutions Corp. — Class A	47,500	2,012
*CommScope, Inc.	19,400	367
*Credence Systems Corp.	34,000	311
*Cree, Inc.	26,400	1,058
*CSG Systems International, Inc.	18,200	340
*Cypress Semiconductor Corp.	44,900	527
Diebold, Inc.	25,500	1,421
*DST Systems, Inc.	29,900	1,558
Fair Isaac Corp.	25,100	921
*Fairchild Semiconductor International, Inc.	42,700	694
*Gartner, Inc.	39,500	492
Harris Corp.	23,900	1,477
Imation Corp.	12,100	385
*Integrated Circuit Systems, Inc.	25,100	525
*Integrated Device Technology, Inc.	38,100	440
*International Rectifier Corp.	23,800	1,061
Intersil Corp. — Class A	53,700	899
Jack Henry & Associates, Inc.	32,300	643
*Keane, Inc.	22,100	325
*KEMET Corp.	30,900	277
*Lam Research Corp.	48,700	1,408
*Lattice Semiconductor Corp.	40,500	231
*LTX Corp.	21,800	168
*Macromedia, Inc.	25,300	787
*Macrovision Corp.	17,800	458
*McAfee, Inc.	57,200	1,655

Index 400 Stock Portfolio

Common Stocks (90.3%)	Shares/ \$ Par	Value \$ (000's)
Information Technology continued		
*McDATA Corp. — Class A	42,200	252
*Mentor Graphics Corp.	27,200	416
*Micrel, Inc.	32,200	355
Microchip Technology, Inc.	73,612	1,962
*MPS Group, Inc.	36,600	449
National Instruments Corp.	28,250	770
*Newport Corp.	15,300	216
Plantronics, Inc.	17,300	717
*Plexus Corp.	15,400	200
*Polycom, Inc.	35,000	816
*Powerwave Technologies, Inc.	37,300	316
*Retek, Inc.	20,000	123
The Reynolds and Reynolds Co. — Class A	23,100	612
*RF Micro Devices, Inc.	66,900	458
*RSA Security, Inc.	24,800	497
*SanDisk Corp.	58,200	1,453
*Semtech Corp.	26,400	577
*Silicon Laboratories, Inc.	18,500	653
*Storage Technology Corp.	38,000	1,201
*Sybase, Inc.	34,000	678
*Synopsys, Inc.	54,300	1,065
*Tech Data Corp.	20,700	940
*The Titan Corp.	30,200	489
*Transaction Systems Architects, Inc. — Class A	13,400	266
*TriQuint Semiconductor, Inc.	49,111	219
*UTStarcom, Inc.	40,800	904
*Vishay Intertechnology, Inc.	59,287	890
*Wind River Systems, Inc.	29,400	398
*Zebra Technologies Corp. — Class A	25,600	1,441
Total		56,286
Materials (4.8%)		
Airgas, Inc.	26,800	710
Albemarle Corp.	14,900	577
Arch Coal, Inc.	22,300	793
Bowater, Inc.	19,900	875
Cabot Corp.	22,000	851
Crompton Corp.	40,963	483
Cytec Industries, Inc.	14,200	730
Ferro Corp.	15,000	348
*FMC Corp.	13,200	638
Longview Fibre Co.	18,200	330
The Lubrizol Corp.	23,800	877
Lyondell Chemical Co.	86,300	2,495
Martin Marietta Materials, Inc.	17,100	918
Minerals Technologies, Inc.	7,300	487
Olin Corp.	25,100	553
P.H. Glatfelter Co.	15,700	240
Packaging Corp. of America	38,200	900
Peabody Energy Corp.	23,100	1,869
Potlatch Corp.	10,600	536
RPM International, Inc.	41,500	816
*The Scotts Co. — Class A	11,700	860
Sensient Technologies Corp.	16,700	401
Sonoco Products Co.	35,100	1,041
Steel Dynamics, Inc.	17,700	670

Common Stocks (90.3%)	Shares/ \$ Par	Value \$ (000's)
Materials continued		
The Valspar Corp.	18,300	915
Worthington Industries, Inc.	31,200	611
Total		20,524
Telecommunication Services (0.5%)		
*Cincinnati Bell, Inc.	87,600	364
Telephone and Data Systems, Inc.	20,500	1,577
Total		1,941
Utilities (6.1%)		
AGL Resources, Inc.	26,800	891
Alliant Energy Corp.	41,200	1,178
Aqua America, Inc.	33,250	818
*Aquila, Inc.	86,300	318
Black Hills Corp.	11,600	356
DPL, Inc.	45,200	1,135
Duquesne Light Holdings, Inc.	27,400	516
Energy East Corp.	52,400	1,398
Equitable Resources, Inc.	21,900	1,328
Great Plains Energy, Inc.	26,500	802
Hawaiian Electric Industries, Inc.	28,800	840
IDACORP, Inc.	14,900	455
MDU Resources Group, Inc.	42,200	1,126
National Fuel Gas Co.	29,500	836
Northeast Utilities	45,800	863
NSTAR	19,000	1,031
OGE Energy Corp.	31,800	843
ONEOK, Inc.	36,900	1,049
Pepco Holdings, Inc.	67,100	1,431
PNM Resources, Inc.	21,550	545
Puget Energy, Inc.	35,600	879
Questar Corp.	30,100	1,535
SCANA Corp.	40,100	1,581
*Sierra Pacific Resources	41,881	440
Vectren Corp.	27,100	726
Westar Energy, Inc.	30,700	702
WGL Holdings, Inc.	17,400	537
Wisconsin Energy Corp.	41,800	1,409
(b)WPS Resources Corp.	13,300	664
Total		26,232
Total Common Stocks (Cost: \$306,971)		385,095
Money Market Investments (9.6%)		
Federal Government & Agencies (2.6%)		
(b)Federal Home Loan Mortgage Corp., 2.42%, 3/22/05	2,000,000	1,990
(b)Federal National Mortgage Assoc., 1.05%, 1/3/05	9,200,000	9,199
Total		11,189
Finance Services (4.2%)		
(b)Ciesco LP, 2.20%, 1/3/05	6,000,000	5,999
(b)Citicorp, 2.27%, 1/20/05	6,000,000	5,993
(b)Preferred Receivable Funding, 2.28%, 1/13/05	6,000,000	5,995
Total		17,987

Index 400 Stock Portfolio

	Shares/ \$ Par	Value \$ (000's)
Money Market Investments (9.6%)		
Personal Credit Institutions (1.4%)		
(b) Rabobank Financial Corp., 2.17%, 1/4/05	6,000,000	<u>5,999</u>
Total		<u>5,999</u>
Short Term Business Credit (1.4%)		
(b) Old Line Funding Corp., 2.25%, 1/13/05	6,000,000	<u>5,996</u>
Total		<u>5,996</u>
Total Money Market Investments (Cost: \$41,171)		<u>41,171</u>
Total Investments (99.9%) (Cost \$348,142)(a)		<u>426,266</u>
Other Assets, Less Liabilities (0.1%)		<u>561</u>
Total Net Assets (100.0%)		<u>426,827</u>

* Non-Income Producing

- (a) At December 31, 2004 the aggregate cost of securities for federal tax purposes (in thousands) was \$350,821 and the net unrealized appreciation of investments based on that cost was \$75,445 which is comprised of \$99,879 aggregate gross unrealized appreciation and \$24,434 aggregate gross unrealized depreciation.
- (b) All or a portion of the securities have been committed as collateral for open futures positions or when-issued securities. Information regarding open futures contracts as of period end is summarized below.

Issuer (000's)	Number of Contracts	Expiration Date	Unrealized Appreciation/ Depreciation (000's)
S&P MidCap 400 Index Futures	124	3/05	\$1,412
(Total Notional Value at December 31, 2004, \$39,839)			

The Accompanying Notes are an Integral Part of the Financial Statements

Janus Capital Appreciation Portfolio

Objective:

Long-term growth of capital

Portfolio Strategy:

Invest in equity securities selected for their growth potential.

Net Assets:

\$57 million

The Janus Capital Appreciation Portfolio seeks long-term growth of capital through investments in the equities of companies selected for their growth potential; the main emphasis is on large-capitalization stocks. The Portfolio is managed using a "bottom-up" approach, which means that the holdings are selected by examining individual securities, rather than focusing on broad economic trends or industry sectors.

For the year ended December 31, 2004, the Janus Capital Appreciation Portfolio returned 19.67% while its benchmark, the S&P 500 Index, returned 10.88%. Among the reasons the Portfolio significantly outperformed the S&P 500 Index was our decision to maintain overweight positions in the healthcare and information technology sectors and the exceptionally strong results posted by a number of our picks in these two groups. Weaker areas of investment included industrials and telecommunications services, where select portfolio holdings experienced setbacks.

The Portfolio's impressive metrics can be credited to the quality and depth of the investment research performed by our analysts. Their work has given us the confidence to invest early and with conviction in some of our best ideas. In fact, our investments in strong performers such as Apple Computer, eBay and UnitedHealth Group, among others, are the result of long-term investment commitments.

Our investment in Apple Computer was the strongest contributor to performance during the period. Apple recently launched one of its most elegant products to date, the new G5 iMac. The early reviews have been overwhelmingly positive and we expect this to be an important product for the company. More importantly, Apple's wildly successful iPod music player continues to be the music-listening device of choice and sales continue to exceed most investors' expectations.

Another strong-performing position in the Portfolio was eBay. Its management team, the sheer financial power of its business model and the global proliferation of the "eBay economy" have all

continued to impress us. The eBay trading platform is well on its way to enabling the buying and selling of products worldwide with a gross merchandise value (GMV) in excess of \$34 billion dollars. eBay's own revenues from those sales were in excess of \$2.5 billion in 2004 and we expect both to grow rapidly again in 2005. To give you an idea of the velocity of trade on eBay, a car is sold every six minutes, a digital camera is sold every 14 minutes and a piece of jewelry every eight minutes. Today, over 430,000 people are making a living buying and selling on eBay. Finally, we continue to be impressed with eBay's entire management team and their ability to guide the company's explosive growth.

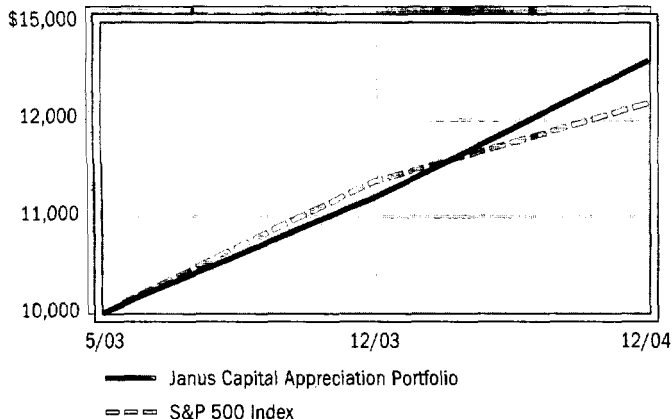
Investing in the managed care sector is not for the faint of heart; very few issues are as highly charged as healthcare. But, as consumers become increasingly responsible for the first dollars spent on their healthcare needs, it's clear to us that UnitedHealth Group is succeeding in the marketplace. The company's flexible plan designs, along with its increasing focus on making healthcare more affordable for larger and larger segments of the population, are a powerful financial combination. Janus' healthcare team continues to do an outstanding job monitoring medical and financial trends as well as anticipating the changes in this emotionally charged space. We continue to have the utmost confidence in Bill Maguire, Steve Hemsley and the entire UnitedHealth management team.

Not all of our investments have met our expectations. Drugmaker Forest Labs was a poor performer. While the stock will be faced with some issues over the next several quarters, including product competition and generic challenges to key drugs, we believe that the worst is priced into the stock and have maintained our stake for now.

Meanwhile, we liquidated our position in Nvidia, a stock that was among our biggest detractors. While we like the longer-term prospects for graphic-intensive semiconductor manufacturers, we feel that better opportunities lie elsewhere.

Janus Capital Appreciation Portfolio

Relative Performance



Average Annual Total Return
For Periods Ended December 31, 2004

	1 Year	Since Inception*
Janus Capital Appreciation Portfolio	19.67%	24.16%
S&P 500 Index	10.88%	13.97%
Large Cap Growth Funds Lipper Average	8.04%	-

*inception date of 5/1/03

The performance data quoted represents past performance. Past performance is historical and does not guarantee future performance. Investment return and principal value will fluctuate, so that 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. For the most recent month-end performance information, visit www.nmfn.com.

This chart assumes an initial investment of \$10,000 made on 5/1/03 (commencement of the Portfolio's operations). Returns shown reflect fee waivers, deductions for management and other portfolio expenses, and reinvestment of all dividends. In the absence of fee waivers, total return would be reduced. Returns exclude deductions for separate account sales loads and account fees. Total returns, which reflect deduction of charges for the separate account are shown beginning on page iv of the Performance Summary of the Separate Account report.

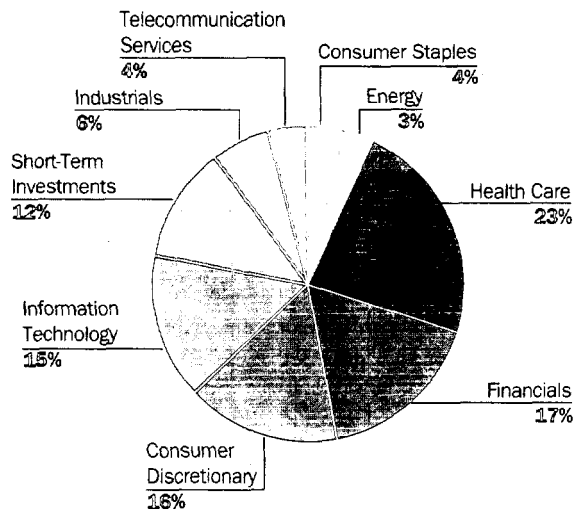
The Standard & Poor's 500 Composite Stock Price Index is an unmanaged index of 500 selected common stocks, most of which are listed on the New York Stock Exchange. As of December 31, 2004, the 500 companies in the composite had a median market capitalization of \$10.6 billion and a total market value of \$11.2 trillion. The S&P 500 represents approximately 60.2% of the market value of the Compustat's database of about 9,381 equities. The index cannot be invested in directly and does not include sales charges.

The Lipper Variable Insurance Products (VIP) Large Cap Growth Funds Average is calculated by Lipper Analytical Services, Inc. and reflects the average investment return of portfolios underlying variable life and annuity products. The category consists of Funds that, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) greater than 300% of the dollar-weighted median market capitalization of the middle 1,000 securities of the S&P SuperComposite 1500 Index. Large-cap growth funds typically have an above-average price-to-earnings ratio, price-to-book ratio, and three-year sales-per-share growth value, compared to the S&P 500 Index. Source: Lipper, Inc.

Top 10 Equity Holdings 12/31/04

Company	% of Total Net Assets
UnitedHealth Group, Inc.	8.6%
Genentech, Inc.	7.1%
Apple Computer, Inc.	5.7%
Electronic Arts, Inc.	5.5%
Aetna, Inc.	5.5%
eBay, Inc.	4.8%
NIKE, Inc. - Class B	4.4%
Bank of America Corp.	4.3%
Nextel Communications, Inc. - Class A	3.6%
United Parcel Service, Inc. - Class B	3.5%

Sector Allocation 12/31/04



Sector Allocation is based on Net Assets.

Sector Allocation and Top 10 Holdings are subject to change.

Expense Example

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management 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 period and held for the entire period (July 1, 2004 to December 31, 2004).

Actual Expenses

The first 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 first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second 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 transactional costs. Therefore, the second 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 transactional costs were included, your costs would have been higher.

	Beginning Account Value July 1, 2004	Ending Account Value December 31, 2004	Expenses Paid During Period July 1, 2004 to December 31, 2004*
Actual	\$1,000.00	\$1,135.10	\$4.46
Hypothetical (5% return before expenses)	\$1,000.00	\$1,020.66	\$4.22

* Expenses are equal to the Fund's annualized expense ratio of 0.83%, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period).

Janus Capital Appreciation Portfolio

Northwestern Mutual Series Fund, Inc.

Schedule of Investments

December 31, 2004

Common Stocks (87.6%)	Shares/ \$ Par	Value \$ (000's)
Consumer Discretionary (15.5%)		
*Advance Auto Parts, Inc.	19,470	850
*Amazon.com, Inc.	21,485	952
*eBay, Inc.	23,365	2,717
J. C. Penney Co., Inc.	6,195	256
*Kohl's Corp.	27,550	1,355
NIKE, Inc. — Class B	27,200	2,467
Outback Steakhouse, Inc.	4,615	211
Total		<u>8,808</u>
Consumer Staples (4.3%)		
*Energizer Holdings, Inc.	19,815	985
The Procter & Gamble Co.	26,125	1,439
Total		<u>2,424</u>
Energy (2.9%)		
Murphy Oil Corp.	11,745	945
Suncor Energy, Inc.	19,865	703
Total		<u>1,648</u>
Financials (17.1%)		
The Allstate Corp.	23,395	1,210
Bank of America Corp.	51,895	2,438
*Berkshire Hathaway, Inc. — Class B	184	540
The Goldman Sachs Group, Inc.	17,115	1,781
SLM Corp.	36,880	1,969
Wells Fargo & Co.	28,190	1,752
Total		<u>9,690</u>
Health Care (22.9%)		
Aetna, Inc.	24,910	3,108
*Forest Laboratories, Inc.	9,640	432
*Genentech, Inc.	74,040	4,031
*Invitrogen Corp.	7,845	527
UnitedHealth Group, Inc.	55,565	4,891
Total		<u>12,989</u>
Industrials (5.9%)		
3M Co.	16,350	1,342
United Parcel Service, Inc. — Class B	23,530	2,011
Total		<u>3,353</u>

Common Stocks (87.6%)	Shares/ \$ Par	Value \$ (000's)
Information Technology (15.4%)		
*Apple Computer, Inc.	50,060	3,224
*Electronic Arts, Inc.	50,930	3,141
Texas Instruments, Inc.	48,465	1,193
*Yahoo!, Inc.	30,730	1,158
Total		<u>8,716</u>
Telecommunication Services (3.6%)		
*Nextel Communications, Inc. — Class A	68,420	2,053
Total		<u>2,053</u>
Total Common Stocks (Cost: \$35,061)		<u>49,681</u>
Money Market Investments (12.0%)		
Federal Government & Agencies (12.0%)		
Federal Home Loan Bank, 2.10%, 1/18/05	6,800,000	6,793
Total Money Market Investments (Cost: \$6,793)		<u>6,793</u>
Total Investments (99.6%) (Cost \$41,854)(a)		<u>56,474</u>
Other Assets, Less Liabilities (0.4%)		<u>216</u>
Total Net Assets (100.0%)		<u>56,690</u>

* Non-Income Producing

(a) At December 31, 2004 the aggregate cost of securities for federal tax purposes (in thousands) was \$41,872 and the net unrealized appreciation of investments based on that cost was \$14,602 which is comprised of \$14,725 aggregate gross unrealized appreciation and \$123 aggregate gross unrealized depreciation.

The Accompanying Notes are an Integral Part of the Financial Statements

Growth Stock Portfolio

Objective:

Long-term appreciation of capital with moderate risk

Portfolio Strategy:

Hold a diversified mix of high quality growth stocks of medium and large companies with above-average potential for earnings growth.

Net Assets:

\$687 million

The Growth Stock Portfolio seeks long-term growth of capital by investing in companies believed to have above-average earnings growth potential; current income is secondary. The Portfolio's holdings will consist primarily of high quality growth stocks of medium and large companies. The Portfolio's strategy is to analyze economic trends to determine their impact on various sectors and industries and to select high quality stocks from industries with the best earnings potential. The Portfolio invests primarily in equity securities of well-established companies selected for their growth potential, with emphasis placed on high quality companies with strong financial characteristics. The investment process is initiated with an analysis of the economic outlook. Further study of economic sectors leads to the identification of growth-oriented industries, and to detailed studies of individual companies. In evaluating individual companies, factors such as the company management team, product outlook, global exposure, industry leadership position and financial characteristics are important variables used in the analysis.

For the year ended December 31, 2004, the Growth Stock Portfolio returned 6.67%, lagging the S&P 500 Index, which returned 10.88%. (This Index is unmanaged, cannot be invested in directly and does not include administrative expenses or sales charges.) The Portfolio's underperformance compared to the Index can be attributed primarily to two factors: overweight positions in the Information Technology and Health Care sectors, which registered small gains for the year, and the Portfolio's investment style, which is to invest in quality companies with consistent growth in earnings. That strategy emphasizes long-term growth of capital and is designed to capture the long-term potential outperformance of medium and large-cap stocks with reduced volatility. It is not uncommon, therefore, for the Portfolio to lag in a market led by riskier areas of the market, which was true in 2004, particularly in the fourth quarter. The average return for the Large-Cap Core Funds—the peer group in which Lipper places the Portfolio—was 8.59% for the year ended December 31, 2004, according to Lipper Analytical Services, Inc. ("Lipper"), an independent mutual fund ranking agency. The average return for the Large-Cap Growth Funds—the peer group which the managers believe better suits the Portfolio's investment style—was 8.04% for 2004, according to Lipper.

Following a spectacular year for stocks in 2003, the U.S. stock market experienced very nice gains again for the year ended December 31, 2004. The S&P 500 Index posted a gain of 10.88%. As the cyclical recovery continued in 2004, returns on large capitalization stocks lagged for the second year in a row, as investors sought higher returns in riskier segments of the market such as small-cap and international stocks.

Those segments posted even larger gains: the S&P SmallCap 600 Index gained 22.65% and the MSCI EAFE Index gained 20.70% for the year. The majority of the gains in all segments of the market, however, came in the fourth quarter alone. Earlier in the year the stock market languished, as a number of economic concerns dampened investors' spirits. A combination of rising oil prices, a weakening dollar, rising interest rates, the Iraqi war, and the upcoming presidential election put a drag on the economy and the market. But in the fourth quarter, especially following the November elections, the market experienced a dramatic turnaround. A significant drop in oil prices beginning in October also served as a catalyst for the change, and the gains made during the fourth quarter accounted for most of the gain for the year. The fourth quarter alone accounted for 9.23% of the S&P 500 Index's 2004 annual gain of 10.88%.

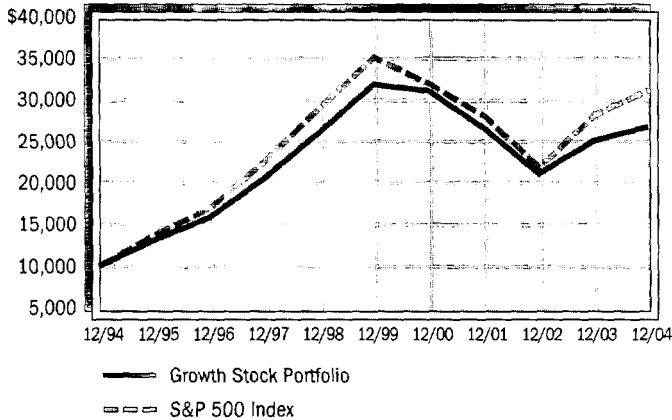
In the Growth Stock Portfolio, overweight positions in Information Technology and Health Care, as well as individual stock selections in those sectors, hurt performance in 2004. Cisco Systems Inc. (computer networking solutions) and Intel Corporation (semiconductors) both performed poorly; Health Care stocks Pfizer Inc. (pharmaceuticals and consumer products) and Eli Lilly & Co. (pharmaceuticals) put a drag on the Portfolio's return for the year, as the sector was affected by negative news on a number of prescription drugs. A lack of exposure to the Utilities sector, which was one of the highest performing sectors in 2004, also held down total return.

Positives for the Portfolio in 2004 included an overweight position in Consumer Discretionary stocks relative to the S&P 500. Target Corp. (general merchandise retailer), which is one of the Portfolio's top ten holdings, posted strong gains for the year. Individual stock selection in the Industrials and Energy sectors also added value. Energy was the strongest performing sector in 2004, and the Portfolio benefited from stock selection within this sector, particularly from its positions in EOG Resources, Inc. (natural gas and crude oil exploration) and Halliburton Holding Co. (engineering and construction service provider). Other individual securities that helped performance were Federal Express, Yahoo! Inc. and American Standard. Diversification within the Portfolio continued to increase during 2004, and the ten largest holdings represented 21.7% of the Portfolio's net asset value as of December 31, 2004, compared to 24.6% at the end of 2003.

Looking forward to 2005, quality, large capitalization stocks, which have lagged the market for the past two years, may be poised for an upturn. If large cap stocks return to favor, the Portfolio should be well positioned to take advantage of an environment that rewards quality.

Growth Stock Portfolio

Relative Performance



Average Annual Total Return
For Periods Ended December 31, 2004

	1 Year	5 Years	10 Years
Growth Stock Portfolio	6.67%	-3.42%	10.35%
S&P 500 Index	10.88%	-2.30%	12.07%
Large Cap Core Funds Lipper Average	8.59%	-2.66%	9.90%
Large Cap Growth Funds Lipper Average	8.04%	-7.30%	9.47%

The performance data quoted represents past performance. Past performance is historical and does not guarantee future performance. Investment return and principal value will fluctuate, so that 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. For the most recent month-end performance information, visit www.nmfn.com.

This chart assumes an initial investment of \$10,000 made on 12/31/94. Returns shown include deductions for management and other portfolio expenses, and reinvestment of all dividends. Returns exclude deductions for separate account sales loads and account fees. Total returns, which reflect deduction of charges for the separate account are shown beginning on page iv of the Performance Summary of the Separate Account report.

The Standard & Poor's 500 Composite Stock Price Index is an unmanaged index of 500 selected common stocks, most of which are listed on the New York Stock Exchange. As of December 31, 2004, the 500 companies in the composite had a median market capitalization of \$10.6 billion and a total market value of \$11.2 trillion. The S&P 500 represents approximately 60.2% of the market value of the Compustat's database of about 9,381 equities. The index cannot be invested in directly and does not include sales charges.

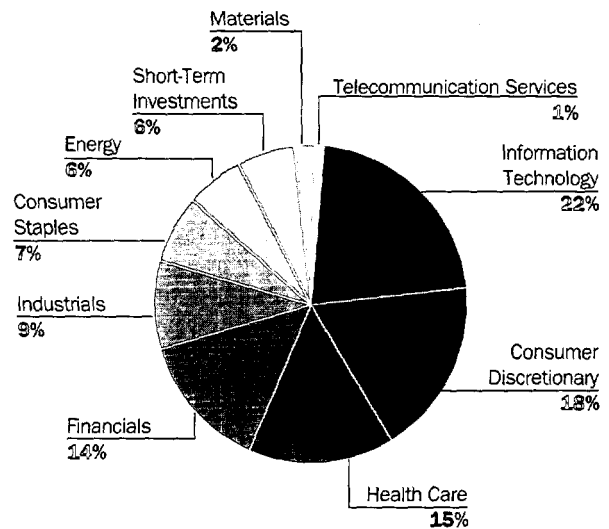
The Lipper Variable Insurance Products (VIP) Large Cap Core Funds Average is calculated by Lipper Analytical Services, Inc. and reflects the average investment return of portfolios underlying variable life and annuity products. The category consists of Funds that, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) greater than 300% of the dollar-weighted median market capitalization of the middle 1,000 securities of the S&P SuperComposite 1500 Index. Large-cap core funds have more latitude in the companies in which they invest. These funds typically have an average price-to-earnings ratio, price-to-book ratio, and three-year sales-per-share growth value, compared to the S&P 500 Index. Source: Lipper, Inc.

The Lipper Variable Insurance Products (VIP) Large Cap Growth Funds Average is calculated by Lipper Analytical Services, Inc. and reflects the average investment return of portfolios underlying variable life and annuity products. The category consists of Funds that, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) greater than 300% of the dollar-weighted median market capitalization of the middle 1,000 securities of the S&P SuperComposite 1500 Index. Large-cap growth funds typically have an above-average price-to-earnings ratio, price-to-book ratio, and three-year sales-per-share growth value, compared to the S&P 500 Index. Source: Lipper, Inc.

Top 10 Equity Holdings 12/31/04

Company	% of Total Net Assets
General Electric Co.	3.4%
Microsoft Corp.	3.0%
American Standard Companies, Inc.	2.3%
FedEx Corp.	2.1%
Wells Fargo & Co.	2.0%
Target Corp.	1.9%
Fortune Brands, Inc.	1.8%
Cisco Systems, Inc.	1.8%
Wal-Mart Stores, Inc.	1.7%
Dell, Inc.	1.7%

Sector Allocation 12/31/04



Sector Allocation is based on Net Assets.

Sector Allocation and Top 10 Holdings are subject to change.

Expense Example

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management 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 period and held for the entire period (July 1, 2004 to December 31, 2004).

Actual Expenses

The first 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 first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second 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 transactional costs. Therefore, the second 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 transactional costs were included, your costs would have been higher.

	Beginning Account Value July 1, 2004	Ending Account Value December 31, 2004	Expenses Paid During Period July 1, 2004 to December 31, 2004*
Actual	\$1,000.00	\$1,055.30	\$2.22
Hypothetical (5% return before expenses)	\$1,000.00	\$1,022.68	\$2.18

* Expenses are equal to the Fund's annualized expense ratio of 0.43%, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period).

Growth Stock Portfolio

Northwestern Mutual Series Fund, Inc.

Schedule of Investments

December 31, 2004

Common Stocks (94.0%)	Shares/ \$ Par	Value \$ (000's)	Common Stocks (94.0%)	Shares/ \$ Par	Value \$ (000's)
Consumer Discretionary (17.6%)			Health Care (14.6%)		
*Bed Bath & Beyond, Inc.	116,900	4,656	Abbott Laboratories	153,800	7,175
Best Buy Co., Inc.	68,500	4,070	*Amgen, Inc.	168,200	10,790
Carnival Corp.	126,000	7,261	*Boston Scientific Corp.	138,200	4,913
*Comcast Corp. — Class A	121,084	4,030	*Caremark Rx, Inc.	159,100	6,273
*eBay, Inc.	41,100	4,779	Eli Lilly and Co.	105,700	5,998
Fortune Brands, Inc.	156,700	12,094	*Fisher Scientific International, Inc.	52,500	3,275
Harley-Davidson, Inc.	98,000	5,954	*Genentech, Inc.	90,500	4,927
J. C. Penney Co., Inc.	194,200	8,040	*Gilead Sciences, Inc.	155,300	5,434
*Kohl's Corp.	92,300	4,538	Guidant Corp.	21,500	1,550
Lowe's Companies, Inc.	87,900	5,062	Johnson & Johnson	182,400	11,567
McDonald's Corp.	179,800	5,764	Medtronic, Inc.	177,900	8,836
The McGraw-Hill Companies, Inc.	84,900	7,772	Pfizer, Inc.	350,150	9,416
News Corp. — Class A	279,600	5,217	*St. Jude Medical, Inc.	112,200	4,705
NIKE, Inc. — Class B	74,200	6,729	Teva Pharmaceutical Industries, Ltd., ADR	206,800	6,175
PETSMART, Inc.	126,500	4,495	UnitedHealth Group, Inc.	38,100	3,354
Staples, Inc.	197,900	6,671	*Zimmer Holdings, Inc.	72,900	5,841
Target Corp.	245,600	12,755	Total		100,229
*Time Warner, Inc.	301,500	5,861	Industrials (9.4%)		
Viacom, Inc. — Class B	149,900	5,455	*American Standard Companies, Inc.	378,300	15,631
Total		121,203	Caterpillar, Inc.	42,100	4,105
Consumer Staples (7.4%)			FedEx Corp.	146,100	14,389
Altria Group, Inc.	152,400	9,312	General Electric Co.	640,400	23,376
Anheuser-Busch Companies, Inc.	88,300	4,479	Tyco International, Ltd.	193,800	6,926
Avon Products, Inc.	140,400	5,433	Total		64,427
PepsiCo, Inc.	185,900	9,704	Information Technology (21.7%)		
The Procter & Gamble Co.	85,300	4,698	*Accenture Ltd. — Class A	182,000	4,914
Wal-Mart Stores, Inc.	224,700	11,870	*Affiliated Computer Services, Inc. — Class A	126,300	7,602
Walgreen Co.	131,000	5,026	Analog Devices, Inc.	141,400	5,220
Total		50,522	*ASML Holding N.V.	337,000	5,362
Energy (5.4%)			*Broadcom Corp. — Class A	95,700	3,089
ConocoPhillips	73,708	6,400	*Cisco Systems, Inc.	623,700	12,037
EOG Resources, Inc.	97,700	6,972	*Dell, Inc.	278,600	11,740
Exxon Mobil Corp.	222,934	11,428	First Data Corp.	223,500	9,508
Halliburton Co.	162,900	6,392	*Fiserv, Inc.	125,362	5,038
*Noble Corp.	123,800	6,158	*Google, Inc. — Class A	12,742	2,460
Total		37,350	Hewlett-Packard Co.	215,800	4,525
Financials (14.4%)			Intel Corp.	375,200	8,776
American Express Co.	193,200	10,891	International Business Machines Corp.	94,500	9,316
American International Group, Inc.	119,900	7,874	*Lexmark International, Inc. — Class A	70,700	6,010
Capital One Financial Corp.	51,000	4,295	Microsoft Corp.	782,200	20,894
Citigroup, Inc.	207,100	9,978	National Semiconductor Corp.	232,900	4,181
The Goldman Sachs Group, Inc.	58,700	6,107	SAP AG, ADR	78,900	3,488
Legg Mason, Inc.	50,600	3,707	*Symantec Corp.	97,200	2,504
Lehman Brothers Holdings, Inc.	73,600	6,439	Taiwan Semiconductor Manufacturing Co., Ltd., ADR	349,037	2,963
Morgan Stanley	126,500	7,023	*Telefonaktiebolaget LM Ericsson, ADR	172,800	5,441
Principal Financial Group, Inc.	177,500	7,267	Texas Instruments, Inc.	154,100	3,794
Prudential Financial, Inc.	157,900	8,678	*VeriSign, Inc.	127,200	4,264
U.S. Bancorp	235,100	7,363	*Yahoo!, Inc.	140,710	5,302
Wachovia Corp.	106,800	5,618	Total		148,428
Wells Fargo & Co.	217,500	13,517			
Total		98,757			

Growth Stock Portfolio

Common Stocks (94.0%)	Shares/ \$ Par	Value \$ (000's)
Materials (2.4%)		
Alcoa, Inc.	141,600	4,449
PPG Industries, Inc.	60,700	4,137
Praxair, Inc.	171,600	7,577
Total		16,163
Other Holdings (0.2%)		
*Nasdaq-100 Trust, Series 1	40,500	1,616
Total		1,616
Telecommunication Services (0.9%)		
Vodafone Group PLC, ADR	235,700	6,453
Total		6,453
Total Common Stocks		645,148
(Cost: \$559,864)		

Money Market Investments (6.0%)

Federal Government & Agencies (0.6%)		
Federal Home Loan Bank, 2.42%, 3/22/05	4,000,000	3,980
Total		3,980
Finance Lessors (2.8%)		
(b)Ranger Funding Co., LLC, 2.34%, 1/13/05	10,000,000	9,993
(b)Windmill Funding Corp., 2.33%, 1/25/05	10,000,000	9,984
Total		19,977
Personal Credit Institutions (1.5%)		
USAA Capital Corp., 2.28%, 1/13/05	10,000,000	9,992
Total		9,992

Money Market Investments (6.0%)	Shares/ \$ Par	Value \$ (000's)
Short Term Business Credit (1.1%)		
CXC Inc., 2.20%, 1/3/05	7,500,000	7,499
Total		7,499
Total Money Market Investments		41,448
(Cost: \$41,447)		
Total Investments (100.0%)		686,596
(Cost \$601,311)(a)		
Other Assets, Less Liabilities (0.0%)		253
Total Net Assets (100.0%)		686,849

* Non-Income Producing

ADR — American Depository Receipt

(a) At December 31, 2004 the aggregate cost of securities for federal tax purposes (in thousands) was \$601,428 and the net unrealized appreciation of investments based on that cost was \$85,168 which is comprised of \$107,770 aggregate gross unrealized appreciation and \$22,602 aggregate gross unrealized depreciation.

(b) All or a portion of the securities have been committed as collateral for open futures positions or when-issued securities. Information regarding open futures contracts as of period end is summarized below.

Issuer (000's)	Number of Contracts	Expiration Date	Unrealized Appreciation/ Depreciation (000's)
S&P 500 Index Futures	60	3/05	\$503
(Total Notional Value at December 31, 2004, \$17,702)			

The Accompanying Notes are an Integral Part of the Financial Statements

Large Cap Core Stock Portfolio

Objective:

Long-term growth of capital and income, consistent with moderate investment risk

Portfolio Strategy:

Actively manage a portfolio of equity securities with a goal of exceeding the total return of the S&P 500 Index.

Net Assets:

\$470 million

The Large Cap Core Stock Portfolio seeks long-term growth of capital and income. The Portfolio seeks to achieve these objectives primarily by investing in the equity securities of companies selected for their growth potential. The Portfolio's holdings will consist primarily of equity securities of large companies. The Portfolio's strategy is to actively manage a portfolio of selected equity securities with a goal of outperforming the total return of the S&P 500® Index. The Portfolio attempts to reduce risk by investing in many different economic sectors, industries and companies. The Portfolio's manager may underweight or overweight selected economic sectors against the sector weightings of the S&P 500 Index to seek to enhance the Portfolio's total return or reduce fluctuations in market value relative to the S&P 500 Index.

For the year ended December 31, 2004, the Large Cap Core Stock Portfolio had a return of 8.16%, lagging the 10.88% return on the S&P 500 Index. (This Index is unmanaged, cannot be invested in directly and does not include administrative expenses or sales charges.) The average return for the Portfolio's peer group, Large-Cap Core Funds, was 8.59% for the same time period, according to Lipper Analytical Services, Inc. ("Lipper"), an independent mutual fund ranking agency. The Portfolio's underperformance relative to the Index resulted mainly from a lack of higher risk stocks, particularly in the Information Technology sector, at a time when investor's preference was for more speculative stocks than those that populate the Large Cap Core Stock Portfolio. Our investment approach, which emphasizes long-term growth of capital and income, is designed to capture the long-term potential outperformance of large cap stocks with reduced volatility. It is not uncommon, therefore, for the Portfolio to lag in a market led by speculative stocks, which was true particularly in the fourth quarter of 2004.

Following a spectacular year for stocks in 2003, the U.S. stock market experienced very nice gains again for the year ended December 31, 2004. The S&P 500 Index posted a gain of 10.88%. The higher risk segments of the market posted even larger gains: the S&P SmallCap 600 Index gained 22.65% and the S&P MidCap 400 Index gained 16.49% for the year. The majority of the gains in 2004, however, came in the fourth quarter alone. Earlier in the year the stock market languished, as a number of economic concerns dampened investors' spirits. A combination of rising oil prices, a weakening dollar, rising interest rates, the Iraqi war, and the upcoming presidential election put a drag on the economy and the market. But in the fourth quarter, especially following the November elections, the market experienced a dramatic turnaround. A significant drop in oil prices beginning in October also served as a catalyst for the change, and the gains made during the fourth quarter accounted for most of the gain for the year. The fourth quarter alone accounted for 9.23% of the S&P 500 Index's 2004 annual gain of 10.88%. The fourth quarter rally was even more pronounced in small and mid-cap stocks. The S&P SmallCap 600 Index gained 13.00% in the fourth quarter, while its gain for the year was 22.65%. And in the S&P MidCap 400 Index, the fourth quarter accounted for 12.16% of its annual gain of 16.49%.

The Portfolio's underperformance relative to the Index was primarily due to our position in the Information Technology sector.

Early in 2004, the Portfolio was too aggressively positioned here. During the second quarter as the Technology sector rallied, we trimmed back some of our higher-beta holdings, which left the Portfolio defensively positioned — overweight in business service stocks such as First Data Corp. and bellwethers such as IBM and Microsoft. Performance was hurt by this defensive positioning late in 2004 as the market returned to high beta, low capitalization stocks. We continue to be fairly defensively positioned here, focusing on technology companies with non-commodity products and steady earnings growth. Despite an overweight position in the Technology sector during the year, the Portfolio didn't own the riskier stocks that were the biggest gainers in 2004. The Portfolio's holdings in National Semiconductor Corp., Intel Corporation, and Cisco Systems Inc. (one of the Portfolio's top ten holdings) were all negative for the year.

Also putting a drag on the Portfolio's performance was an underweight position in the Industrials sector, which performed well during the year. In 2004, we underweighted Industrials because we believed this sector already had a premium valuation relative to the S&P 500 Index. We felt that earnings estimates may have gotten ahead of themselves, possibly setting some of these stocks up for a disappointment. Positions in the Industrials sector, however, were added throughout 2004, including increasing our existing holding in General Electric and initiating a position in Tyco International. Individual security selection in the Health Care sector detracted from the Portfolio's performance in 2004. Two pharmaceutical stocks held in the Portfolio, Eli Lilly & Co. and Pfizer Inc., sustained substantial losses in 2004. The Health Care sector as a whole was impacted by negative news from studies on several prescription drugs. During the fourth quarter of 2004, the Portfolio's positions in Lilly and Pfizer were substantially reduced.

Sector allocation and individual security selection within the Materials and Energy sectors made a positive contribution. The Portfolio's 2004 performance benefited from overweight positions in both of those sectors, as both of these sectors outperformed. Stocks that performed well included Monsanto Co. (agricultural products), which was substantially overweight in the Portfolio, ConocoPhillips (a global energy company), which is also one of the Portfolio's top ten holdings, and EOG Resources Inc. (natural gas and crude oil exploration). Energy was the best performing sector in the S&P 500 Index in 2004, driven by rising prices in oil and gas through much of the year. Despite a fallback in prices in the fourth quarter, the Energy sector gained nearly 29% for the year. Other individual holdings that added substantially to the Portfolio's performance in 2004 included Google Inc. (a global technology company, best known for its online index of websites), PetsMart (a pet supply retailer), Prudential Financial Inc. (a financial services company), and Canadian National Railway Co.

U.S. economic growth in 2005 may lag that of 2004. In an environment like that, companies with more stable growth, including larger capitalization companies, could be more attractive to investors. The Portfolio focuses on companies with stable earnings growth, strong market share and pricing power. We also look for companies with increasing amounts of free cash flow that are focused on returning that to shareholders through share

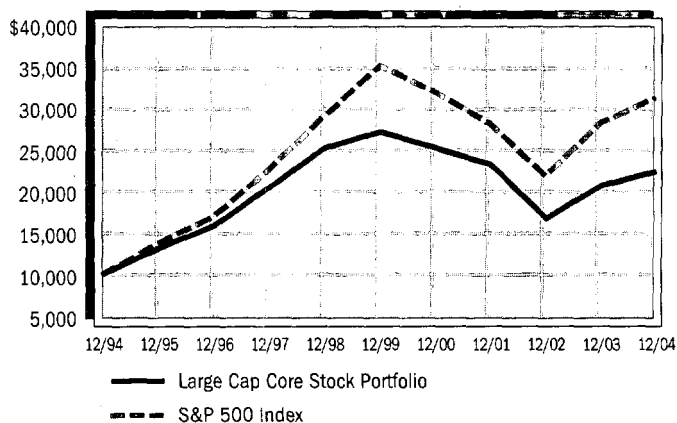
Large Cap Core Stock Portfolio

buybacks, dividend increases or accretive acquisitions. As of December 31, 2004, the Portfolio has overweight positions in the Energy and Materials sectors; an underweight position in Financials; and is near market weight in all other sectors. These weightings are intended to take advantage of previous under spending and high demand levels in the Energy and Materials areas. The underweight in Financials is due to potentially higher interest rates and the flattening of the yield curve as a result. While sector weighting can be an important driver of overall Portfolio performance, we continue to remain focused on individual stock selection, looking for companies with long-term growth of capital and income potential.

Top 10 Equity Holdings 12/31/04

Company	% of Total Net Assets
General Electric Co.	3.7%
Microsoft Corp.	2.7%
Exxon Mobil Corp.	2.7%
Altria Group, Inc.	1.9%
Johnson & Johnson	1.9%
Cisco Systems, Inc.	1.8%
Wells Fargo & Co.	1.7%
The Procter & Gamble Co.	1.6%
Bank of America Corp.	1.5%
ConocoPhillips	1.5%

Relative Performance



Average Annual Total Return
For Periods Ended December 31, 2004

	1 Year	5 Years	10 Years
Large Cap Core Stock Portfolio	8.16%	-3.74%	8.39%
S&P 500 Index	10.88%	-2.30%	12.07%
Large Cap Core Funds Lipper Average	8.59%	-2.66%	9.90%

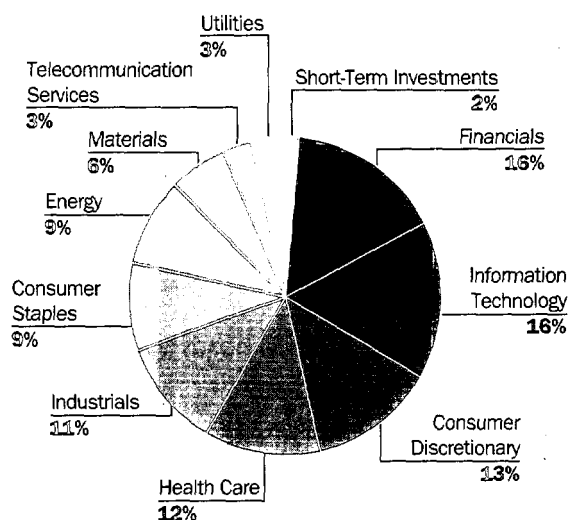
The performance data quoted represents past performance. Past performance is historical and does not guarantee future performance. Investment return and principal value will fluctuate, so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. For the most recent month-end performance information, visit www.nmfn.com.

This chart assumes an initial investment of \$10,000 made on 12/31/94. Returns shown include deductions for management and other portfolio expenses, and reinvestment of all dividends. Returns exclude deductions for separate account sales loads and account fees. Total returns, which reflect deduction of charges for the separate account are shown beginning on page iv of the Performance Summary of the Separate Account report.

The Standard & Poor's 500 Composite Stock Price Index is an unmanaged index of 500 selected common stocks, most of which are listed on the New York Stock Exchange. As of December 31, 2004, the 500 companies in the composite had a median market capitalization of \$10.6 billion and a total market value of \$11.2 trillion. The S&P 500 represents approximately 60.2% of the market value of the Compustat's database of about 9,381 equities. The index cannot be invested in directly and does not include sales charges.

The Lipper Variable Insurance Products (VIP) Large Cap Core Funds Average is calculated by Lipper Analytical Services, Inc. and reflects the average investment return of portfolios underlying variable life and annuity products. The category consists of Funds that, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) greater than 300% of the dollar-weighted median market capitalization of the middle 1,000 securities of the S&P SuperComposite 1500 Index. Large-cap core funds have more latitude in the companies in which they invest. These funds typically have an average price-to-earnings ratio, price-to-book ratio, and three-year sales-per-share growth value, compared to the S&P 500 Index. Source: Lipper, Inc.

Sector Allocation 12/31/04



Sector Allocation is based on Net Assets.

Sector Allocation and Top 10 Holdings are subject to change.

Expense Example

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management 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 period and held for the entire period (July 1, 2004 to December 31, 2004).

Actual Expenses

The first 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 first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second 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 transactional costs. Therefore, the second 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 transactional costs were included, your costs would have been higher.

	Beginning Account Value July 1, 2004	Ending Account Value December 31, 2004	Expenses Paid During Period July 1, 2004 to December 31, 2004*
Actual	\$1,000.00	\$1,065.30	\$2.29
Hypothetical (5% return before expenses)	\$1,000.00	\$1,022.61	\$2.25

* Expenses are equal to the Fund's annualized expense ratio of 0.44%, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period).

Large Cap Core Stock Portfolio

Northwestern Mutual Series Fund, Inc.

Schedule of Investments

December 31, 2004

Common Stocks (98.2%)	Shares/ \$ Par	Value \$ (000's)	Common Stocks (98.2%)	Shares/ \$ Par	Value \$ (000's)
Consumer Discretionary (13.0%)			Financials continued		
Best Buy Co., Inc.	43,100	2,561	Legg Mason, Inc.	36,100	2,645
Carnival Corp.	84,700	4,881	Lehman Brothers Holdings, Inc.	46,100	4,033
*Comcast Corp. — Class A	78,014	2,596	Morgan Stanley	62,800	3,487
DaimlerChrysler AG	47,000	2,258	Prudential Financial, Inc.	110,000	6,046
*eBay, Inc.	29,000	3,372	U.S. Bancorp	197,300	6,179
Fortune Brands, Inc.	60,000	4,631	Wachovia Corp.	68,900	3,624
J. C. Penney Co., Inc.	130,500	5,404	Wells Fargo & Co.	129,600	8,054
Lear Corp.	49,700	3,032	Total		76,768
McDonald's Corp.	110,600	3,546	Health Care (11.5%)		
News Corp. — Class A	188,000	3,508	Abbott Laboratories	93,900	4,380
NIKE, Inc. — Class B	57,700	5,233	*Amgen, Inc.	69,100	4,433
Omnicom Group, Inc.	30,000	2,530	*Boston Scientific Corp.	96,200	3,420
PETsMART, Inc.	87,600	3,112	*Caremark Rx, Inc.	107,300	4,231
Staples, Inc.	133,200	4,490	Eli Lilly and Co.	62,800	3,564
Target Corp.	100,500	5,219	*Fisher Scientific International, Inc.	36,700	2,289
*Time Warner, Inc.	178,000	3,460	*Genentech, Inc.	46,600	2,537
Viacom, Inc. — Class B	39,700	1,445	Guidant Corp.	15,200	1,096
Total		61,278	Johnson & Johnson	142,900	9,063
Consumer Staples (8.8%)			Medtronic, Inc.	90,900	4,515
Altria Group, Inc.	149,300	9,123	Pfizer, Inc.	144,512	3,886
Anheuser-Busch Companies, Inc.	60,100	3,049	*St. Jude Medical, Inc.	75,800	3,178
Avon Products, Inc.	98,900	3,827	Teva Pharmaceutical Industries, Ltd., ADR	88,900	2,655
The Gillette Co.	57,500	2,575	UnitedHealth Group, Inc.	26,400	2,324
PepsiCo, Inc.	106,400	5,554	*Zimmer Holdings, Inc.	28,000	2,243
The Procter & Gamble Co.	138,400	7,623	Total		53,814
Wal-Mart Stores, Inc.	123,000	6,497	Industrials (10.9%)		
Walgreen Co.	87,000	3,338	3M Co.	73,000	5,991
Total		41,586	Canadian National Railway Co.	90,000	5,513
Energy (8.8%)			FedEx Corp.	50,600	4,984
BP PLC, ADR	40,800	2,383	General Electric Co.	480,100	17,524
ConocoPhillips	80,244	6,968	Honeywell International, Inc.	89,790	3,179
Devon Energy Corp.	56,200	2,187	Tyco International, Ltd.	137,500	4,914
EOG Resources, Inc.	69,300	4,945	United Technologies Corp.	55,000	5,684
Exxon Mobil Corp.	246,400	12,631	Waste Management, Inc.	121,000	3,623
Halliburton Co.	120,900	4,744	Total		51,412
*Noble Corp.	47,500	2,363	Information Technology (16.0%)		
Schlumberger, Ltd.	44,100	2,952	*Accenture Ltd. — Class A	122,400	3,305
Valero Energy Corp.	47,800	2,170	*Affiliated Computer Services, Inc. — Class A	42,500	2,558
Total		41,343	Analog Devices, Inc.	71,600	2,643
Financials (16.4%)			*ASML Holding N.V.	133,700	2,127
American Express Co.	60,200	3,393	*Broadcom Corp. — Class A	77,200	2,492
American International Group, Inc.	89,300	5,864	*Cisco Systems, Inc.	435,700	8,409
Bank of America Corp.	148,900	6,997	*Dell, Inc.	151,000	6,363
Capital One Financial Corp.	36,300	3,057	First Data Corp.	133,700	5,688
The Chubb Corp.	29,200	2,245	*Google, Inc. — Class A	9,000	1,738
CIT Group, Inc.	56,200	2,575	Intel Corp.	254,600	5,955
Citigroup, Inc.	116,000	5,589	International Business Machines Corp.	47,100	4,643
Countrywide Financial Corp.	52,400	1,939	*Lexmark International, Inc. — Class A	48,300	4,106
Freddie Mac	32,000	2,358	Microsoft Corp.	474,400	12,670
The Goldman Sachs Group, Inc.	40,000	4,162	National Semiconductor Corp.	99,800	1,791
J.P. Morgan Chase & Co.	115,896	4,521			

Large Cap Core Stock Portfolio

Common Stocks (98.2%)	Shares/ \$ Par	Value \$ (000's)
Information Technology continued		
SAP AG, ADR	88,500	3,913
*Symantec Corp.	68,200	1,757
*VeriSign, Inc.	90,000	3,017
*Yahoo!, Inc.	56,700	2,136
Total		<u>75,311</u>
Materials (5.6%)		
Alcoa, Inc.	94,000	2,953
The Dow Chemical Co.	80,200	3,971
Monsanto Co.	100,800	5,599
Newmont Mining Corp.	47,700	2,118
PPG Industries, Inc.	36,000	2,454
Praxair, Inc.	86,300	3,810
Temple-Inland, Inc.	46,900	3,208
Weyerhaeuser Co.	31,800	2,138
Total		<u>26,251</u>
Other Holdings (0.9%)		
iShares DJ Select Dividend Index Fund	36,200	2,221
*iShares Nasdaq Biotechnology Index Fund	25,000	1,885
Total		<u>4,106</u>
Telecommunication Services (3.5%)		
*Nextel Communications, Inc. — Class A	131,500	3,945
SBC Communications, Inc.	114,000	2,938
Sprint Corp.	98,600	2,450
Verizon Communications, Inc.	108,348	4,389
Vodafone Group PLC, ADR	93,500	2,560
Total		<u>16,282</u>
Utilities (2.8%)		
DTE Energy Co.	50,100	2,161
Duke Energy Corp.	118,800	3,009
Edison International	70,501	2,258
*PG&E Corp.	178,600	5,944
Total		<u>13,372</u>
Total Common Stocks (Cost: \$393,979)		<u>461,523</u>

Money Market Investments (1.7%)	Shares/ \$ Par	Value \$ (000's)
Federal Government & Agencies (0.1%)		
Federal Home Loan Mortgage Corp., 2.42%, 3/22/05	500,000	497
Total		<u>497</u>
Short Term Business Credit (1.6%)		
(b)CXC Inc., 2.20%, 1/3/05	7,600,000	7,600
Total		<u>7,600</u>
Total Money Market Investments (Cost: \$8,096)		
		<u>8,097</u>
Total Investments (99.9%) (Cost \$402,075)(a)		
		<u>469,620</u>
Other Assets, Less Liabilities (0.1%)		
		<u>315</u>
Total Net Assets (100.0%)		
		<u>469,935</u>

* Non-Income Producing

ADR — American Depository Receipt

(a) At December 31, 2004 the aggregate cost of securities for federal tax purposes (in thousands) was \$403,298 and the net unrealized appreciation of investments based on that cost was \$66,322 which is comprised of \$85,822 aggregate gross unrealized appreciation and \$19,500 aggregate gross unrealized depreciation.

(b) All or a portion of the securities have been committed as collateral for open futures positions or when-issued securities. Information regarding open futures contracts as of period end is summarized below.

Issuer (000's)	Number of Expiration Contracts	Date	Unrealized Appreciation/ Depreciation (000's)
S&P 500 Index Futures	14	3/05	\$117
(Total Notional Value at December 31, 2004, \$4,131)			

The Accompanying Notes are an Integral Part of the Financial Statements

Capital Guardian Domestic Equity Portfolio

Objective: Long-term growth of capital and income	Portfolio Strategy: Invest in larger American companies that exhibit value characteristics relative to S&P 500 Index.	Net Assets: \$212 million
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The Capital Guardian Domestic Equity Portfolio seeks long-term growth of capital and income. The Portfolio seeks to meet this objective primarily by investing in equity securities of U.S. issuers and securities whose principal markets are in the U.S., including American Depository Receipts (ADRs) and other U.S. registered securities. The companies in which the Portfolio invests will generally have a market capitalization of \$1 billion dollars or more at the time of purchase. In selecting securities for purchase or sale, the Portfolio's investment adviser attempts to keep the Portfolio's assets invested in securities that exhibit one or more value characteristics relative to the market norms reflected in the S&P 500 Index. These value characteristics include below market price to earnings ratios, below market price to book ratios, and dividend yields that are equal to or above the market norms.

For the year ended December 31, 2004, the Capital Guardian Domestic Equity Portfolio returned 16.85%, outperforming the S&P 500 Index, which had a return of 10.88%, by nearly six percentage points. (This Index is unmanaged, cannot be invested in directly and does not include administrative expenses or sales charges.) The average return for the Portfolio's peer group, Multi-Cap Value Funds, was 14.62%, according to Lipper Analytical Services, Inc. ("Lipper"), an independent mutual fund ranking agency.

Following a spectacular year for stocks in 2003, the U.S. stock market experienced very nice gains again for the year ended December 31, 2004. The S&P 500 Index posted a gain of 10.88%. The higher risk segments of the market posted even larger gains: the S&P SmallCap 600 Index gained 22.65% and the S&P MidCap 400 Index gained 16.49% for the year. The majority of the gains in 2004, however, came in the fourth quarter alone. Earlier in the year the stock market languished, as a number of economic concerns dampened investors' spirits. A combination of rising oil prices, a weakening dollar, rising interest rates, the Iraqi war, and the upcoming presidential election put a drag on the economy and the market. But in the fourth quarter, especially following the November elections, the market experienced a dramatic turnaround. A significant drop in oil prices beginning in October also served as a catalyst for the change, and the gains made during the fourth quarter accounted for most of the gain for the year. The fourth quarter alone accounted for 9.23% of the S&P 500 Index's 2004 annual gain of 10.88%.

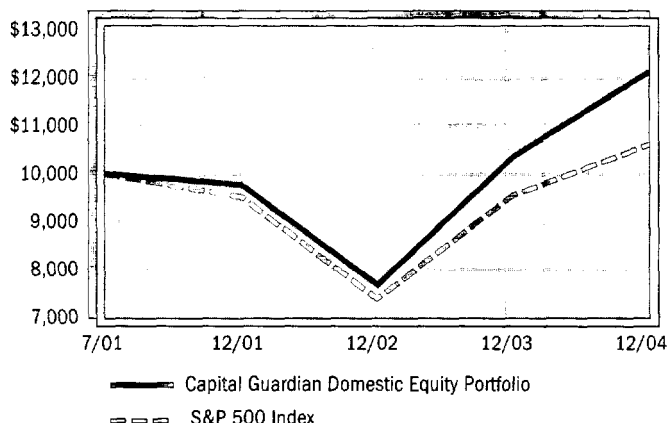
The Portfolio's strong performance in 2004 can be attributed to a combination of sector weighting decisions and individual stock selection. Overweight positions in the Energy and Telecommunication Services sectors added performance for the year as those sectors enjoyed very nice returns. The Energy sector, aided by rising oil prices through much of the year, was the best performing sector in the S&P 500 Index in 2004. Underweight positions in Information Technology and Health Care also helped performance. The Health Care sector, which was hurt by negative news on a number of prescription drugs, was the worst performing sector for 2004.

Individual stock selection was also key to performance. Five of the Portfolio's top ten holdings were among the top ten contributors to performance in 2004, including SLM Corp. (financial services), Altria Group Inc. (consumer products), General Electric Co. (diversified industrial corp.), Hartford Financial Services (diversified insurance co.) and General Growth Properties (real estate investment trust). Individual securities in the Energy and Telecommunication Services sectors that added value included Transocean Inc. (oil and gas well drilling) and Sprint FON Group (long-distance, local and wireless communications). Both posted impressive gains for the year. Although being underweight in the Information Technology and Health Care sectors helped the Portfolio's performance overall, a number of stocks in those sectors performed well. Advanced Micro Devices Inc. (semiconductor manufacturer), Sabre Holdings Corp. (proprietary computer reservation system), Sun Microsystems Inc. (network computer products and services), Fairchild Semiconductor International (designs and develops semiconductors), WellPoint Inc. (health benefits company), Becton Dickinson Co. (health care supplies and systems), Cigna Corp. (insurance and financial services), and Lincare Holdings Inc. (provides in-home respiratory therapy services) were all good performers.

Key sector detractors to the Portfolio's performance in 2004 included an underweight position in Consumer Discretionary stocks, as well as individual Health Care holdings Merck & Co. Inc., Pfizer Inc., Eli Lilly & Co., and AstraZeneca Group PLC. Technology stocks Cadence Design Systems, Avnet Inc., Hewlett-Packard Co. and Micron Technology, Inc. also had poor performance in 2004.

Capital Guardian Domestic Equity Portfolio

Relative Performance



Average Annual Total Return For Periods Ended December 31, 2004

	1 Year	Since Inception*
Capital Guardian Domestic Equity Portfolio	16.85%	5.73%
S&P 500 Index	10.88%	1.72%
Multi Cap Value Funds Lipper Average	14.62%	-

*inception date of 7/31/01

The performance data quoted represents past performance. Past performance is historical and does not guarantee future performance. Investment return and principal value will fluctuate, so that 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. For the most recent month-end performance information, visit www.nmfn.com.

This chart assumes an initial investment of \$10,000 made on 7/31/01 (commencement of the portfolio's operations). Returns shown reflect fee waivers, deductions for management and other portfolio expenses, and reinvestment of all dividends. In the absence of fee waivers, total return would be reduced. Returns exclude deductions for separate account sales loads and account fees. Total returns, which reflect deduction of charges for the separate account are shown beginning on page iv of the Performance Summary of the Separate Account report.

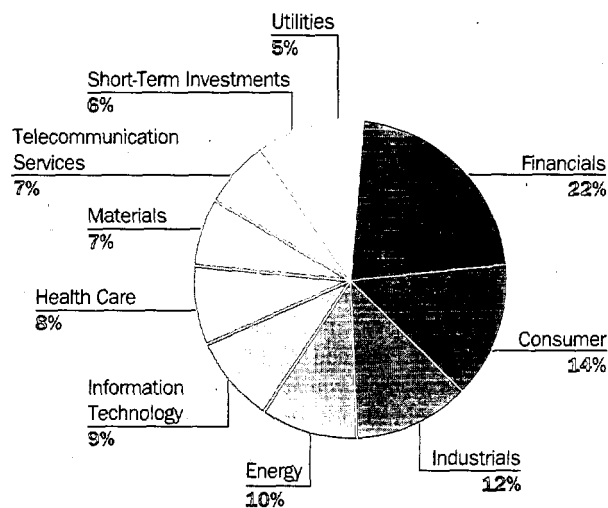
The Standard & Poor's 500 Composite Stock Price Index is an unmanaged index of 500 selected common stocks, most of which are listed on the New York Stock Exchange. As of December 31, 2004, the 500 companies in the composite had a median market capitalization of \$10.6 billion and a total market value of \$11.2 trillion. The S&P 500 represents approximately 60.2% of the market value of the Compustat's database of about 9,381 equities. The index cannot be invested in directly and does not include sales charges.

The Lipper Variable Insurance Products (VIP) Multi Cap Value Funds Average is calculated by Lipper Analytical Services, Inc. and reflects the average investment return of portfolios underlying variable life and annuity products. The category consists of Funds that, by portfolio practice, invest in a variety of market capitalization ranges without concentrating 75% of their equity assets in any one market capitalization range over an extended period of time. Multi-cap funds typically have between 25% to 75% of their assets invested in companies with market capitalizations (on a three-year weighted basis) above 300% of the dollar-weighted median market capitalization of the middle 1,000 securities of the S&P SuperComposite 1500 Index. Multi-cap value funds typically have a below-average price-to-earnings ratio, price-to-book ratio, and three-year sales-per-share growth value, compared to the S&P SuperComposite 1500 Index. Source: Lipper, Inc.

Top 10 Equity Holdings 12/31/04

Company	% of Total Net Assets
JPMorgan Chase & Co.	3.7%
SLM Corp.	2.9%
Kraft Foods, Inc. - Class A	2.7%
Wells Fargo & Co.	2.7%
Altria Group, Inc.	2.7%
General Electric Co.	2.6%
Verizon Communications, Inc.	2.4%
The Hartford Financial Services Group, Inc.	2.3%
E. I. du Pont de Nemours and Co.	2.3%
General Growth Properties, Inc.	2.3%

Sector Allocation 12/31/04



Sector Allocation is based on Net Assets.

Sector Allocation and Top 10 Holdings are subject to change.

Expense Example

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management 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 period and held for the entire period (July 1, 2004 to December 31, 2004).

Actual Expenses

The first 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 first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second 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 transactional costs. Therefore, the second 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 transactional costs were included, your costs would have been higher.

	Beginning Account Value July 1, 2004	Ending Account Value December 31, 2004	Expenses Paid During Period July 1, 2004 to December 31, 2004*
Actual	\$1,000.00	\$1,114.10	\$3.28
Hypothetical (5% return before expenses)	\$1,000.00	\$1,021.73	\$3.14

* Expenses are equal to the Fund's annualized expense ratio of 0.62%, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period).

Capital Guardian Domestic Equity Portfolio

Northwestern Mutual Series Fund, Inc.

Schedule of Investments

December 31, 2004

	Shares/ \$ Par	Value \$ (000's)
Common Stocks (93.7%)		
Consumer Discretionary (2.8%)		
*AutoNation, Inc.	60,100	1,155
Mattel, Inc.	54,200	1,056
McDonald's Corp.	22,000	705
OfficeMax, Inc.	19,700	618
Starwood Hotels & Resorts Worldwide, Inc.	24,900	1,455
*Time Warner, Inc.	45,700	888
Total		5,877
Consumer Staples (11.3%)		
Altria Group, Inc.	92,400	5,646
Anheuser-Busch Companies, Inc.	51,800	2,628
Campbell Soup Co.	105,100	3,141
Colgate-Palmolive Co.	23,700	1,212
General Mills, Inc.	22,800	1,133
Kimberly-Clark Corp.	30,300	1,994
Kraft Foods, Inc. — Class A	163,500	5,823
Unilever NV	36,800	2,455
Total		24,032
Energy (10.3%)		
ChevronTexaco Corp.	9,800	515
Exxon Mobil Corp.	39,300	2,015
Kinder Morgan, Inc.	46,200	3,379
Royal Dutch Petroleum Co.	80,100	4,595
Shell Transport & Trading Co. ADR	65,800	3,382
*Transocean, Inc.	63,200	2,679
Unocal Corp.	85,800	3,710
*Weatherford International, Ltd.	31,700	1,626
Total		21,901
Financials (21.6%)		
American International Group, Inc.	38,000	2,495
*AmeriCredit Corp.	82,100	2,007
Assurant, Inc.	9,900	302
The Chubb Corp.	5,300	408
Everest Re Group, Ltd.	20,900	1,872
Fannie Mae	23,100	1,645
General Growth Properties, Inc.	133,320	4,821
The Goldman Sachs Group, Inc.	6,800	707
The Hartford Financial Services Group, Inc.	70,800	4,907
J.P. Morgan Chase & Co.	201,988	7,879
Marsh & McLennan Companies, Inc.	52,200	1,717
The PMI Group, Inc.	41,000	1,712
SLM Corp.	114,100	6,092
The St. Paul Travelers Companies, Inc.	15,823	587
Washington Mutual, Inc.	49,700	2,101
Wells Fargo & Co.	92,800	5,768
XL Capital, Ltd. — Class A	8,400	652
Total		45,672

	Shares/ \$ Par	Value \$ (000's)
Common Stocks (93.7%)		
Health Care (7.8%)		
AstraZeneca PLC ADR	54,400	1,980
Eli Lilly and Co.	37,800	2,145
*Lincare Holdings, Inc.	30,500	1,301
*Medco Health Solutions, Inc.	43,200	1,797
Merck & Co., Inc.	57,500	1,848
*PacifiCare Health Systems, Inc.	4,800	271
Pfizer, Inc.	45,100	1,213
*Triad Hospitals, Inc.	40,200	1,496
*WellPoint, Inc.	39,400	4,531
Total		16,582
Industrials (12.1%)		
Canadian National Railway Co.	6,750	413
Cooper Industries, Ltd. — Class A	35,300	2,397
Emerson Electric Co.	13,400	939
General Electric Co.	153,300	5,596
Hubbell, Inc. — Class B	22,600	1,182
Ingersoll-Rand Co. — Class A	34,700	2,786
*Navistar International Corp.	12,100	532
Northrop Grumman Corp.	8,700	473
Raytheon Co.	14,700	571
Siemens AG ADR	11,400	965
Tyco International, Ltd.	63,100	2,255
Union Pacific Corp.	50,900	3,423
United Technologies Corp.	38,900	4,021
Total		25,553
Information Technology (9.1%)		
*Advanced Micro Devices, Inc.	93,700	2,063
*Affiliated Computer Services, Inc. — Class A	17,100	1,029
*Avnet, Inc.	95,400	1,740
*Cadence Design Systems, Inc.	104,200	1,439
*Fairchild Semiconductor International, Inc.	124,000	2,016
*Flextronics International, Ltd.	267,700	3,700
*Freescale Semiconductor, Inc. — Class A	157,800	2,812
*Micron Technology, Inc.	224,300	2,770
*Polycom, Inc.	12,300	287
*Teradyne, Inc.	82,700	1,412
Total		19,268
Materials (7.1%)		
Air Products and Chemicals, Inc.	67,700	3,925
Alcoa, Inc.	26,600	836
The Dow Chemical Co.	57,100	2,827
E. I. du Pont de Nemours and Co.	99,700	4,890
International Paper Co.	62,200	2,612
Total		15,090
Telecommunication Services (6.7%)		
BellSouth Corp.	59,500	1,654
SBC Communications, Inc.	109,500	2,822
Sprint Corp.	188,100	4,674
Verizon Communications, Inc.	123,500	5,003
Total		14,153

Capital Guardian Domestic Equity Portfolio

Common Stocks (93.7%)	Shares/ \$ Par	Value \$ (000's)
Utilities (4.9%)		
Duke Energy Corp.	137,600	3,485
Equitable Resources, Inc.	55,600	3,373
NiSource, Inc.	63,300	1,442
Pinnacle West Capital Corp.	47,300	2,101
Total		<u>10,401</u>
Total Common Stocks		
(Cost: \$165,951)		<u>198,529</u>
<hr/>		
Money Market Investments (6.1%)		
Federal Government & Agencies (6.1%)		
Federal Home Loan Bank, 2.10%, 1/18/05	13,000,000	12,987
Total Money Market Investments		
(Cost: \$12,987)		<u>12,987</u>
Total Investments (99.8%)		
(Cost \$178,938)(a)		<u>211,516</u>
Other Assets, Less Liabilities (0.2%)		<u>461</u>
Total Net Assets (100.0%)		<u>211,977</u>

* Non-Income Producing

ADR — American Depository Receipt

- (a) At December 31, 2004 the aggregate cost of securities for federal tax purposes (in thousands) was \$178,973 and the net unrealized appreciation of investments based on that cost was \$32,543 which is comprised of \$34,634 aggregate gross unrealized appreciation and \$2,091 aggregate gross unrealized depreciation.

The Accompanying Notes are an Integral Part of the Financial Statements

T. Rowe Price Equity Income Portfolio

Objective:

Long-term growth of capital and income.

Portfolio Strategy:

Invest in the equity securities of established companies.

Net Assets:

\$90 million

The objective of the T. Rowe Price Equity Income Portfolio is long-term growth of capital and income. Management seeks to achieve this objective mainly through investment in the stocks of well-established companies paying above-average dividends. A value approach is used in selecting investments, with an effort made to identify companies that appear to be undervalued by various measures but have good prospects for capital appreciation and dividend growth. Management looks for characteristics such as an established operating history, above-average dividend yield, a low price/earnings ratio, sound financial condition, and a low stock price relative to a company's underlying value.

U.S. stocks posted their second consecutive year of gains for the first time since 1998-99. Value shares outstripped growth by an impressive margin in 2004, while small- and mid-cap stocks outpaced large-company shares. The widely followed Dow Jones Industrial Average registered the smallest gain, while the broader market indices, including the S&P 500 Index and Nasdaq Composite, were stronger.

The Federal Open Market Committee's (FOMC) five rate increases in 2004, which lifted the fed fund's rate target from 1.00% to 2.25%, failed to dampen the economic boost provided by firm stock prices, low long-term interest rates, tight yields among bonds of various qualities, and a falling dollar. Consumer and housing demand continue to draw support from job gains, income growth, and low interest rates. Resilient profit margins, steady cash flow, and rising utilization rates underpin capital expenditures.

While employment gains have been somewhat choppy, we believe they are strong enough to gradually reduce the unemployment rate over time. An upturn in the growth of labor costs and higher import prices, driven by a weak dollar, are generating a cyclical rise in inflation. That said, inflation remains relatively low in historical terms, allowing the FOMC to continue to tighten monetary policy gradually in coming months.

The past year ended on a positive note as consumer confidence recovered to the level attained in mid-summer. The weakness in recent months was most likely related to uncertainty about employment prospects, spiking oil prices, and uneasiness surrounding the election — concerns that moderated during the

final weeks of the year. We anticipate continuing economic growth in 2005.

The T. Rowe Price Equity Income Portfolio posted strong absolute results and significantly outpaced the S&P 500 Stock Index for the twelve-month period due to several factors, including a significant underweight in information technology (IT) and strong stock selection plus an underweight in health care. Due to concerns about tech companies' ability to meet second-half earnings projections, IT traded significantly lower in the third quarter and was one of the worst-performing S&P 500 sectors during 2004.

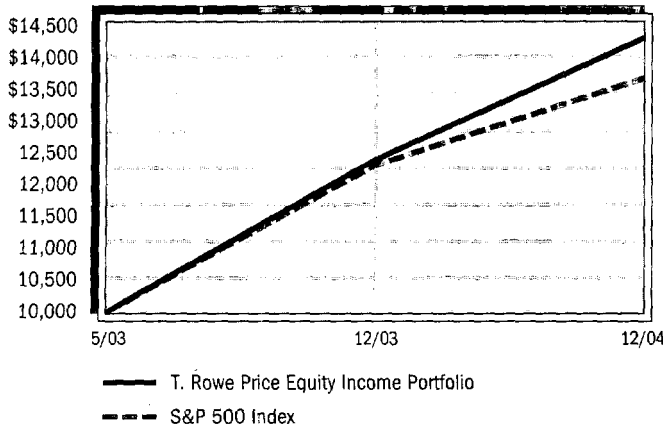
Health care badly lagged the market as pharmaceutical stocks were impaired by limited growth prospects, generic competitive pressures, and more recently by Merck's problems with Vioxx and Pfizer's with Celebrex. Within the sector, health care insurer CIGNA boosted relative results because of an improvement in the firm's fundamentals and stronger-than-anticipated performance in its health care business. Cardinal Health, a new portfolio position, rebounded following a series of negative events that drove the stock down in the second and third quarters.

Energy was the best-performing sector in the Index in 2004, thanks to rising energy prices and improved investor sentiment, and an overweight position benefited relative performance. In addition, strong stock selection in the utilities sector enhanced our return versus the benchmark. TXU benefited from a new management team and the sale of non-core assets to improve the company's balance sheet. On a negative note, stock selection in the consumer discretionary sector detracted slightly as New York Times, Dow Jones, and Knight-Ridder were hurt by sluggish advertising trends.

We are cautious heading into 2005. The market is fairly valued and the corporate profit outlook appears to be moderating; earnings have reached record levels over the past year, and profit growth will likely be pressured by relatively high energy prices and higher short-term interest rates. Additionally, the trade and budget deficits, along with the ongoing war in Iraq, could make for a tougher environment. Nevertheless, despite these headwinds, we continue to view the economic environment as favorable; corporate balance sheets appear strong with healthy levels of cash, and value stocks should benefit from favorable tax treatments for dividends and capital gains.

T. Rowe Price Equity Income Portfolio

Relative Performance



Average Annual Total Return
For Periods Ended December 31, 2004

	1 Year	Since Inception*
T. Rowe Price Equity Income Portfolio	15.16%	23.59%
S&P 500 Index	10.88%	13.97%
Equity Income Funds Lipper Average	13.64%	—

*inception date of 5/1/03

The performance data quoted represents past performance. Past performance is historical and does not guarantee future performance. Investment return and principal value will fluctuate, so that 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. For the most recent month-end performance information, visit www.nmfn.com.

This chart assumes an initial investment of \$10,000 made on 5/1/03 (commencement of the Portfolio's operations). Returns shown reflect fee waivers, deductions for management and other portfolio expenses, and reinvestment of all dividends. In the absence of fee waivers, total return would be reduced. Returns exclude deductions for separate account sales loads and account fees. Total returns, which reflect deduction of charges for the separate account are shown beginning on page iv of the Performance Summary of the Separate Account report.

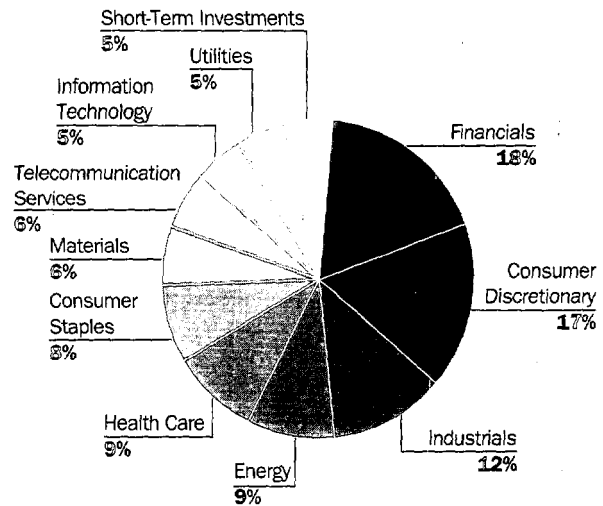
The Standard & Poor's 500 Composite Stock Price Index is an unmanaged index of 500 selected common stocks, most of which are listed on the New York Stock Exchange. As of December 31, 2004, the 500 companies in the composite had a median market capitalization of \$10.6 billion and a total market value of \$11.2 billion. The S&P 500 represents approximately 60.2% of the market value of the Compustat's database of about 9,381 equities. The index cannot be invested in directly and does not include sales charges.

The Lipper Variable Insurance Products (VIP) Equity Income Funds Average is calculated by Lipper Analytical Services, Inc. and reflects the average investment return of portfolios underlying variable life and annuity products. The category consists of Funds that, by prospectus language and portfolio practice, seek relatively high current income and growth of income by investing primarily in dividend-paying equity securities. These funds' gross or net yield must be at least 125% of the average gross or net yield of the U.S. diversified equity fund universe. Source: Lipper, Inc.

Top 10 Equity Holdings 12/31/04

Company	% of Total Net Assets
General Electric Co.	2.0%
JPMorgan Chase & Co.	1.9%
Exxon Mobil Corp.	1.8%
ChevronTexaco Corp.	1.7%
Marsh & McLennan Companies, Inc.	1.6%
Viacom, Inc. - Class B	1.6%
Merck & Co., Inc.	1.6%
Royal Dutch Petroleum Co.	1.4%
Honeywell International, Inc.	1.4%
Bank of America Corp.	1.4%

Sector Allocation 12/31/04



Sector Allocation is based on Net Assets.

Sector Allocation and Top 10 Holdings are subject to change.

T. Rowe Price Equity Income Portfolio

Expense Example

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management 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 period and held for the entire period (July 1, 2004 to December 31, 2004).

Actual Expenses

The first 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 first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second 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 transactional costs. Therefore, the second 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 transactional costs were included, your costs would have been higher.

	Beginning Account Value July 1, 2004	Ending Account Value December 31, 2004	Expenses Paid During Period July 1, 2004 to December 31, 2004*
Actual	\$1,000.00	\$1,101.81	\$3.49
Hypothetical (5% return before expenses)	\$1,000.00	\$1,021.51	\$3.36

* Expenses are equal to the Fund's annualized expense ratio of 0.66%, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period).

T. Rowe Price Equity Income Portfolio

Northwestern Mutual Series Fund, Inc.

Schedule of Investments

December 31, 2004

Common Stocks (94.6%)	Shares/ \$ Par	Value \$ (000's)	Common Stocks (94.6%)	Shares/ \$ Par	Value \$ (000's)
Consumer Discretionary (17.0%)			Financials continued		
*Comcast Corp. — Class A	36,500	1,215	The Chubb Corp.	7,600	584
Dow Jones & Co., Inc.	21,500	926	Citigroup, Inc.	11,400	549
Eastman Kodak Co.	26,400	851	Fannie Mae	8,500	605
Fortune Brands, Inc.	8,900	687	J.P. Morgan Chase & Co.	43,688	1,704
Genuine Parts Co.	17,000	749	Janus Capital Group, Inc.	10,500	177
Hilton Hotels Corp.	24,800	564	Lincoln National Corp.	16,276	760
The Home Depot, Inc.	16,400	701	Marsh & McLennan Companies, Inc.	45,000	1,481
Knight-Ridder, Inc.	7,100	475	Mellon Financial Corp.	26,700	831
Mattel, Inc.	50,000	975	Mercantile Bankshares Corp.	6,500	339
The May Department Stores Co.	14,200	417	Morgan Stanley	17,300	960
McDonald's Corp.	19,300	619	National City Corp.	9,900	372
The New York Times Co. — Class A	29,200	1,191	Northern Trust Corp.	6,100	296
Newell Rubbermaid, Inc.	37,400	905	SAFECO Corp.	14,600	763
Sony Corp.	11,000	429	Simon Property Group, Inc.	7,300	472
Starwood Hotels & Resorts Worldwide, Inc.	8,400	491	The St. Paul Travelers Companies, Inc.	19,827	735
*Time Warner, Inc.	60,300	1,172	SunTrust Banks, Inc.	11,200	827
Viacom, Inc. — Class B	38,900	1,415	UnumProvident Corp.	35,600	639
The Walt Disney Co.	34,100	948	Wells Fargo & Co.	6,800	423
Whirlpool Corp.	7,600	526	Wilmington Trust Corp.	4,500	163
Total		15,256	XL Capital, Ltd. — Class A	4,700	365
Consumer Staples (7.5%)			Total		16,370
Altria Group, Inc.	7,200	440	Health Care (9.3%)		
Campbell Soup Co.	24,900	744	Abbott Laboratories	15,100	704
The Clorox Co.	6,000	354	Baxter International, Inc.	20,600	712
The Coca-Cola Co.	29,200	1,216	Bristol-Myers Squibb Co.	44,800	1,148
Coca-Cola Enterprises, Inc.	1,200	25	Cardinal Health, Inc.	9,800	570
Colgate-Palmolive Co.	21,000	1,074	*Chiron Corp.	900	30
ConAgra Foods, Inc.	11,600	342	CIGNA Corp.	3,200	261
General Mills, Inc.	15,200	756	Johnson & Johnson	18,800	1,192
Kimberly-Clark Corp.	10,700	704	*MedImmune, Inc.	24,000	651
Unilever NV	7,200	480	Merck & Co., Inc.	43,400	1,395
UST, Inc.	12,000	577	Schering-Plough Corp.	31,700	662
Total		6,712	Wyeth	24,400	1,039
Energy (9.0%)			Total		8,364
Amerada Hess Corp.	11,400	939	Industrials (12.0%)		
Anadarko Petroleum Corp.	10,100	655	Cendant Corp.	19,500	456
Baker Hughes, Inc.	4,900	209	Cooper Industries, Ltd. — Class A	10,900	740
BP PLC, ADR	15,000	876	*The Dun & Bradstreet Corp.	600	36
ChevronTexaco Corp.	29,900	1,570	Emerson Electric Co.	5,300	372
Exxon Mobil Corp.	31,100	1,593	General Electric Co.	49,900	1,821
Royal Dutch Petroleum Co.	22,600	1,297	Honeywell International, Inc.	35,900	1,271
Schlumberger, Ltd.	5,900	395	Lockheed Martin Corp.	14,600	811
Unocal Corp.	11,600	502	Norfolk Southern Corp.	16,800	608
Total		8,036	Pall Corp.	22,700	657
Financials (18.2%)			Raytheon Co.	20,700	804
American Express Co.	12,100	682	Rockwell Automation, Inc.	10,200	505
AmSouth Bancorporation	2,100	54	Rockwell Collins, Inc.	19,800	781
Bank of America Corp.	26,300	1,236	Union Pacific Corp.	17,500	1,177
Bank of Ireland ADR	6,200	414	Waste Management, Inc.	25,400	760
The Charles Schwab Corp.	78,500	939	Total		10,799

T. Rowe Price Equity Income Portfolio

Common Stocks (94.6%)	Shares/ \$ Par	Value \$ (000's)	Convertible Corporate Debt (0.2%)	Shares/ \$ Par	Value \$ (000's)
Information Technology (4.7%)			Information Technology (0.2%)		
*Agilent Technologies, Inc.	1,100	27	Lucent Technologies, 8.00%, 8/1/31	165,000	184
*Freescale Semiconductor Inc. — Class B	2,350	43	Total Convertible Corporate Debt		
Hewlett-Packard Co.	36,600	768	(Cost: \$158)		
Intel Corp.	15,700	367	184		
*Lucent Technologies, Inc.	47,400	178	Preferred Stocks (0.3%)		
Microsoft Corp.	30,500	815	Consumer Discretionary (0.1%)		
Motorola, Inc.	38,500	662	Ford Motor Co., Capital Trust II	1,400	74
Nokia Corp., ADR	38,000	595	Total		
Texas Instruments, Inc.	31,700	780	74		
Total		4,235	Financials (0.2%)		
Materials (6.3%)			Unumprovident Corp.		
Alcoa, Inc.	17,100	537		5,900	179
The Dow Chemical Co.	17,200	853	Total		
E. I. du Pont de Nemours and Co.	15,100	741	179		
Great Lakes Chemical Corp.	12,400	353	Total Preferred Stocks		
*Hercules, Inc.	20,500	304	(Cost: \$208)		
International Flavors & Fragrances, Inc.	10,300	441	253		
International Paper Co.	25,500	1,072	Money Market Investments (5.3%)		
MeadWestvaco Corp.	15,800	535	Other Holdings (5.3%)		
Nucor Corp.	6,600	345	Reserve Investment Fund	4,777,882	4,778
Vulcan Materials Co.	9,000	491	Total Money Market Investments		
Total		5,672	(Cost: \$4,778)		
Telecommunication Services (5.9%)			Total Investments (100.4%)		
ALLTEL Corp.	13,700	805	(Cost \$76,913)(a)		
AT&T Corp.	31,900	608	90,147		
*Qwest Communications International, Inc.	155,500	690	Other Assets, Less Liabilities (-0.4%)		
SBC Communications, Inc.	31,800	819	(400)		
Sprint Corp.	42,700	1,062	Total Net Assets (100.0%)		
Telus Corp.	9,700	280	89,747		
Verizon Communications, Inc.	25,400	1,029	* Non-Income Producing		
Total		5,293	ADR — American Depository Receipt		
Utilities (4.7%)			(a) At December 31, 2004 the aggregate cost of securities for federal tax purposes was \$76,918 and the net unrealized appreciation of investments based on that cost was \$13,229 which is comprised of \$14,093 aggregate gross unrealized appreciation and \$864 aggregate gross unrealized depreciation.		
Constellation Energy Group, Inc.	14,600	638			
Duke Energy Corp.	35,300	894			
FirstEnergy Corp.	12,100	478			
NiSource, Inc.	40,200	916			
Progress Energy, Inc.	6,900	312			
TECO Energy, Inc.	11,700	179			
TXU Corp.	4,800	310			
Xcel Energy, Inc.	25,700	468			
Total		4,195			
Total Common Stocks					
(Cost: \$71,769)		84,932			

The Accompanying Notes are an Integral Part of the Financial Statements

Index 500 Stock Portfolio

Objective:

Long-term capital appreciation through cost-effective participation in broad market performance

Portfolio Strategy:

Invest in a portfolio designed to approximate the composition and returns of the S&P 500 Index.

Net Assets:

\$1.9 billion

The Index 500 Stock Portfolio seeks investment results that approximate the performance of the Standard & Poor's 500 Composite Stock Price Index. The S&P 500[®] Index is composed of 500 common stocks representing approximately three-fourths of the total market value of all publicly traded common stocks in the U.S. The Portfolio's strategy is to capture broad market performance by investing in a portfolio modeled after a broadly based stock index. The Portfolio invests in stocks included in the S&P 500 Index in proportion to their weightings in the Index, and may buy or sell securities after announced changes in the Index but before or after the effective date of the changes to attempt to achieve higher correlation with the Index. The Index 500 Stock Portfolio is not managed in the traditional sense using economic, financial and market analysis. A computer program is used to determine which stocks are to be purchased or sold to achieve the Portfolio's objective. Therefore, the Portfolio remains neutral relative to the benchmarks in terms of economic sectors, market capitalization, and the growth and value styles of investing. The Portfolio will, to the extent feasible, remain fully invested, and may purchase Index futures contracts in amounts approximating the cash held in the Index.

For the year ended December 31, 2004, the Portfolio had a total return of 10.70%, slightly lagging the S&P 500 Index, which returned 10.88%. (This Index is unmanaged, cannot be invested in directly and does not include administrative expenses or sales charges.) Portfolio performance slightly lagged the S&P 500 Index due to transaction costs, administrative expenses, cash flow effects and holdings of stock index futures contracts. The average return for the Portfolio's peer group, S&P Index 500 Objective Funds, was 10.35% for the twelve months ended December 31, 2004, according to Lipper Analytical Services, Inc. ("Lipper"), an independent mutual fund ranking agency.

Following a spectacular year for stocks in 2003, the U.S. stock market experienced very nice gains again for the year ended December 31, 2004. The S&P 500 Index posted a gain of 10.88%. The higher risk segments of the market posted even larger gains: the S&P SmallCap 600 Index gained 22.65% and the S&P MidCap 400 Index gained 16.49% for the year. The majority of the gains in 2004, however, came in the fourth quarter alone. Earlier in the year

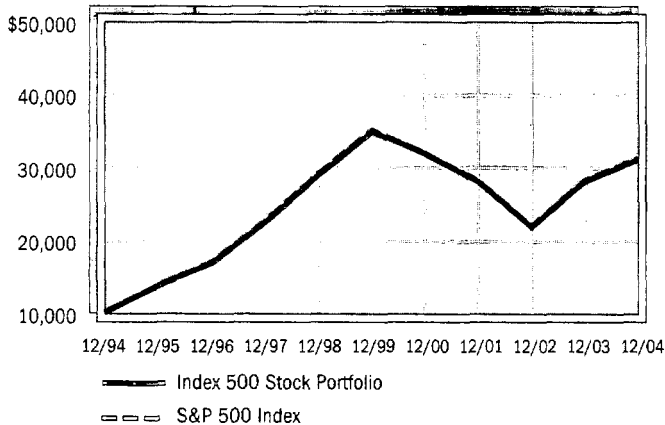
the stock market languished, as a number of economic concerns dampened investors' spirits. A combination of rising oil prices, a weakening dollar, rising interest rates, the Iraqi war, and the upcoming presidential election put a drag on the economy and the market. But in the fourth quarter, especially following the November elections, the market experienced a dramatic turnaround. A significant drop in oil prices beginning in October also served as a catalyst for the change, and the gains made during the fourth quarter accounted for most of the gain for the year. The fourth quarter alone accounted for 9.23% of the S&P 500 Index's 2004 annual gain of 10.79%.

For 2004, all ten of the sectors within the S&P 500 Index had positive returns. The strongest sectors were Energy (up 28.77%), Utilities (up 19.60%), Telecommunications (up 15.98%), and Industrials (up 15.95%). Energy stocks enjoyed the best gains as oil prices rose dramatically throughout most of the year before backing off in the fourth quarter. Other sectors that performed well included Consumer Discretionary (up 12.15%), Materials (up 10.88%), and Financials (up 8.23%). Although still positive, the remaining sectors had smaller gains: Consumer Staples (up 6.04%), Information Technology (up 2.13%), and Health Care (up 0.24%). The worst performing sector — Health Care — was adversely affected during the year by negative news on a number of prescription drugs.

The Fund seeks to track the performance and weightings of stocks in the S&P 500 Index. Accordingly, changes are made to the Fund's holding as the Index changes. Such changes occur as companies go public or private, merge, divest or have major changes in market capitalization. Additionally, Standard & Poor's adjusts the Index to better reflect the companies that are most representative of the composition of the U.S. economy. During 2004, there were 20 companies added to the Index. Those added during the fourth quarter were XTO Energy, Compass Bancshares, Archstone-Smith Trust, News Corp., Freescale Semiconductor Inc., L-3 Communications Holdings, Laboratory Corp of America Holdings and CIT Group. There were 20 companies eliminated from the Index during the year. During the fourth quarter the stocks eliminated were PeopleSoft Inc., Worthington Industries, Crane Co., Deluxe Corp., Winn-Dixie, WellPoint Health Networks, South Trust Corp., and AT&T Wireless.

Index 500 Stock Portfolio

Relative Performance



Average Annual Total Return For Periods Ended December 31, 2004

	1 Year	5 Years	10 Years
Index 500 Stock Portfolio	10.70%	-2.28%	12.02%
S&P 500 Index	10.88%	-2.30%	12.07%
S&P 500 Index Objective Funds Lipper Average	10.35%	-2.64%	11.69%

The performance data quoted represents past performance. Past performance is historical and does not guarantee future performance. Investment return and principal value will fluctuate, so that 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. For the most recent month-end performance information, visit www.nmfn.com.

This chart assumes an initial investment of \$10,000 made on 12/31/94. Returns shown include deductions for management and other portfolio expenses, and reinvestment of all dividends. Returns exclude deductions for separate account sales loads and account fees. Total returns, which reflect deduction of charges for the separate account are shown beginning on page iv of the Performance Summary of the Separate Account report.

The Standard & Poor's 500 Composite Stock Price Index is an unmanaged index of 500 selected common stocks, most of which are listed on the New York Stock Exchange. As of December 31, 2004, the 500 companies in the composite had a median market capitalization of \$10.6 billion and a total market value of \$11.2 trillion. The S&P 500 represents approximately 60.2% of the market value of the Compustat's database of about 9,381 equities. The index cannot be invested in directly and does not include sales charges.

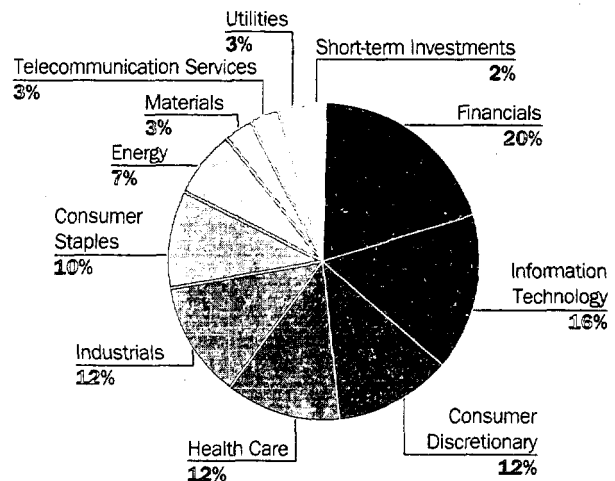
The Lipper Variable Insurance Products (VIP) S&P 500 Index Objective Funds Average is calculated by Lipper Analytical Services, Inc. and reflects the average investment return of portfolios underlying variable life and annuity products. The category consists of Funds that are passively managed and commit by prospectus language to replicate the performance of the S&P 500 index, including reinvested dividends. In addition, S&P 500 Index funds have limited expenses (advisor fee no higher than 0.50%). Source: Lipper, Inc.

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Top 10 Equity Holdings 12/31/04

Company	% of Total Net Assets
General Electric Co.	3.4%
Exxon Mobil Corp.	2.9%
Microsoft Corp.	2.5%
Citigroup, Inc.	2.2%
Wal-Mart Stores, Inc.	1.9%
Pfizer, Inc.	1.8%
Bank of America Corp.	1.7%
Johnson & Johnson	1.6%
American International Group, Inc.	1.5%
International Business Machines Corp.	1.4%

Sector Allocation 12/31/04



Sector Allocation is based on equities.

Sector Allocation and Top 10 Holdings are subject to change.

Index 500 Stock Portfolio

Expense Example

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management 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 period and held for the entire period (July 1, 2004 to December 31, 2004).

Actual Expenses

The first 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 first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second 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 transactional costs. Therefore, the second 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 transactional costs were included, your costs would have been higher.

	Beginning Account Value July 1, 2004	Ending Account Value December 31, 2004	Expenses Paid During Period July 1, 2004 to December 31, 2004*
Actual	\$1,000.00	\$1,071.40	\$1.05
Hypothetical (5% return before expenses)	\$1,000.00	\$1,023.81	\$1.03

* Expenses are equal to the Fund's annualized expense ratio of 0.20%, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period).

Index 500 Stock Portfolio

Northwestern Mutual Series Fund, Inc. Schedule of Investments December 31, 2004

Common Stocks (98.3%)	Shares/ \$ Par	Value \$ (000's)	Common Stocks (98.3%)	Shares/ \$ Par	Value \$ (000's)
Consumer Discretionary (11.8%)			Consumer Discretionary continued		
*AutoNation, Inc.	43,900	843	The McGraw-Hill Companies, Inc.	31,460	2,880
*AutoZone, Inc.	13,225	1,208	Meredith Corp.	8,300	450
*Bed Bath & Beyond, Inc.	49,900	1,988	The New York Times Co. — Class A	24,070	982
Best Buy Co., Inc.	53,750	3,194	Newell Rubbermaid, Inc.	45,592	1,103
*Big Lots, Inc.	18,700	227	News Corp. — Class A	495,100	9,239
The Black & Decker Corp.	13,400	1,184	NIKE, Inc. — Class B	43,500	3,945
Brunswick Corp.	16,000	792	Nordstrom, Inc.	23,267	1,087
Carnival Corp.	105,009	6,052	*Office Depot, Inc.	51,757	899
Centex Corp.	20,600	1,227	OfficeMax, Inc.	15,500	486
Circuit City Stores, Inc.	32,400	507	Omnicom Group, Inc.	30,900	2,605
Clear Channel Communications, Inc.	95,050	3,183	Pulte Homes, Inc.	21,100	1,346
*Coach, Inc.	31,300	1,765	RadioShack Corp.	26,300	865
*Comcast Corp. — Class A	368,070	12,249	Reebok International, Ltd.	9,600	422
Cooper Tire & Rubber Co.	12,400	267	Sears, Roebuck & Co.	34,250	1,748
Dana Corp.	24,850	431	The Sherwin-Williams Co.	23,413	1,045
Darden Restaurants, Inc.	26,050	723	Snap-on, Inc.	9,517	327
Delphi Automotive Systems Corp.	93,087	840	The Stanley Works	13,650	669
Dillard's, Inc. — Class A	13,664	367	Staples, Inc.	82,600	2,784
Dollar General Corp.	54,348	1,129	*Starbucks Corp.	66,350	4,138
Dow Jones & Co., Inc.	13,620	586	Starwood Hotels & Resorts Worldwide, Inc.	34,400	2,009
Eastman Kodak Co.	47,483	1,531	Target Corp.	148,457	7,709
*eBay, Inc.	109,900	12,779	Tiffany & Co.	24,167	773
Family Dollar Stores, Inc.	27,800	868	*Time Warner, Inc.	759,500	14,765
Federated Department Stores, Inc.	28,051	1,621	The TJX Companies, Inc.	79,900	2,008
Ford Motor Co.	303,394	4,442	*Toys R" Us, Inc.	35,650	730
Fortune Brands, Inc.	23,867	1,842	Tribune Co.	52,636	2,218
Gannett Co., Inc.	42,350	3,460	*Univision Communications, Inc. — Class A	53,600	1,569
The Gap, Inc.	145,375	3,070	V. F. Corp.	18,457	1,022
General Motors Corp.	93,627	3,751	Viacom, Inc. — Class B	282,748	10,289
Genuine Parts Co.	29,000	1,278	Visteon Corp.	21,483	210
*The Goodyear Tire & Rubber Co.	29,100	427	The Walt Disney Co.	338,757	9,417
Harley-Davidson, Inc.	48,700	2,959	Wendy's International, Inc.	18,850	740
Harrh's Entertainment, Inc.	18,550	1,241	Whirlpool Corp.	11,050	765
Hasbro, Inc.	29,325	568	Yum! Brands, Inc.	48,580	2,292
Hilton Hotels Corp.	64,050	1,456	Total		223,867
The Home Depot, Inc.	364,094	15,561	Consumer Staples (10.3%)		
International Game Technology	57,100	1,963	Adolph Coors Co. — Class B	6,200	469
*The Interpublic Group of Companies, Inc.	70,100	939	Alberto-Culver Co.	15,050	731
J. C. Penney Co., Inc.	47,350	1,960	Albertson's, Inc.	61,054	1,458
Johnson Controls, Inc.	31,600	2,005	Altria Group, Inc.	340,322	20,794
Jones Apparel Group, Inc.	20,300	742	Anheuser-Busch Companies, Inc.	130,949	6,643
KB Home	7,700	804	Archer-Daniels-Midland Co.	108,503	2,421
Knight-Ridder, Inc.	12,750	853	Avon Products, Inc.	78,400	3,034
*Kohl's Corp.	56,867	2,796	Brown-Forman Corp. — Class B	20,218	984
Leggett & Platt, Inc.	31,633	899	Campbell Soup Co.	68,222	2,039
The Limited, Inc.	67,387	1,551	The Clorox Co.	25,250	1,488
Liz Claiborne, Inc.	18,000	760	The Coca-Cola Co.	401,175	16,701
Lowe's Companies, Inc.	128,150	7,380	Coca-Cola Enterprises, Inc.	77,800	1,622
Marriott International, Inc. — Class A	37,100	2,337	Colgate-Palmolive Co.	87,922	4,498
Mattel, Inc.	68,788	1,341	ConAgra Foods, Inc.	85,267	2,511
The May Department Stores Co.	48,450	1,424			
Maytag Corp.	13,133	277			
McDonald's Corp.	208,478	6,684			

Index 500 Stock Portfolio

Common Stocks (98.3%)	Shares/ \$ Par	Value \$ (000's)
Consumer Staples continued		
Costco Wholesale Corp.	77,764	3,765
CVS Corp.	66,367	2,991
General Mills, Inc.	60,367	3,001
The Gillette Co.	164,635	7,372
H.J. Heinz Co.	57,917	2,258
Hershey Foods Corp.	40,800	2,266
Kellogg Co.	68,457	3,057
Kimberly-Clark Corp.	80,856	5,321
*The Kroger Co.	122,505	2,149
McCormick & Co., Inc.	22,700	876
The Pepsi Bottling Group, Inc.	41,500	1,122
PepsiCo, Inc.	279,330	14,581
The Procter & Gamble Co.	420,610	23,167
Reynolds American, Inc.	24,500	1,926
*Safeway, Inc.	74,200	1,465
Sara Lee Corp.	130,135	3,141
SUPERVALU, Inc.	22,250	768
SYSCO Corp.	106,125	4,051
UST, Inc.	27,367	1,317
Wal-Mart Stores, Inc.	702,200	37,090
Walgreen Co.	169,446	6,502
Wm. Wrigley Jr. Co.	37,167	2,572
Total		196,151
Energy (7.0%)		
Amerada Hess Corp.	15,200	1,252
Anadarko Petroleum Corp.	40,962	2,655
Apache Corp.	54,146	2,738
Ashland, Inc.	11,800	689
Baker Hughes, Inc.	55,630	2,374
BJ Services Co.	26,800	1,247
Burlington Resources, Inc.	64,866	2,822
ChevronTexaco Corp.	351,314	18,447
ConocoPhillips	114,410	9,934
Devon Energy Corp.	80,600	3,137
El Paso Corp.	106,671	1,109
EOG Resources, Inc.	19,660	1,403
Exxon Mobil Corp.	1,069,656	54,830
Halliburton Co.	73,269	2,875
Kerr-McGee Corp.	25,105	1,451
Kinder Morgan, Inc.	20,567	1,504
Marathon Oil Corp.	57,509	2,163
*Nabors Industries, Ltd.	24,750	1,269
*Noble Corp.	22,450	1,117
Occidental Petroleum Corp.	65,420	3,818
*Rowan Companies, Inc.	17,750	460
Schlumberger, Ltd.	97,567	6,532
Sunoco, Inc.	12,150	993
*Transocean, Inc.	53,351	2,262
Unocal Corp.	43,667	1,888
Valero Energy Corp.	42,600	1,934
The Williams Companies, Inc.	92,300	1,504
Total		132,407
Financials (20.2%)		
ACE, Ltd.	47,100	2,014
AFLAC, Inc.	83,850	3,341
The Allstate Corp.	113,728	5,882

Common Stocks (98.3%)	Shares/ \$ Par	Value \$ (000's)
Financials continued		
Ambac Financial Group, Inc.	18,000	1,478
American Express Co.	208,075	11,729
American International Group, Inc.	431,830	28,357
AmSouth Bancorporation	58,855	1,524
Aon Corp.	52,500	1,253
Apartment Investment and Management Co. — Class A	15,700	605
Archstone-Smith Trust	32,400	1,241
Bank of America Corp.	669,672	31,467
The Bank of New York Co., Inc.	128,853	4,306
BB&T Corp.	91,600	3,852
The Bear Stearns Companies, Inc.	17,095	1,749
Capital One Financial Corp.	40,200	3,385
The Charles Schwab Corp.	223,339	2,671
The Chubb Corp.	31,750	2,442
Cincinnati Financial Corp.	27,834	1,232
CIT Group, Inc.	34,800	1,595
Citigroup, Inc.	860,448	41,455
Comerica, Inc.	28,250	1,724
Compass Bancshares, Inc.	20,300	988
Countrywide Financial Corp.	96,200	3,560
*E*TRADE Group, Inc.	61,700	922
Equity Office Properties Trust	66,900	1,948
Equity Residential Properties Trust	46,900	1,697
Fannie Mae	160,448	11,426
Federated Investors, Inc. — Class B	17,800	541
Fifth Third Bancorp	93,034	4,399
First Horizon National Corp.	20,400	879
Franklin Resources, Inc.	41,350	2,880
Freddie Mac	114,286	8,423
Golden West Financial Corp.	50,800	3,120
The Goldman Sachs Group, Inc.	80,300	8,354
The Hartford Financial Services Group, Inc.	48,650	3,372
Huntington Bancshares, Inc.	38,342	950
J.P. Morgan Chase & Co.	590,697	23,042
Janus Capital Group, Inc.	39,129	658
Jefferson-Pilot Corp.	22,634	1,176
KeyCorp	67,375	2,284
Lehman Brothers Holdings, Inc.	44,622	3,904
Lincoln National Corp.	28,940	1,351
Loews Corp.	30,767	2,163
M&T Bank Corp.	19,300	2,081
Marsh & McLennan Companies, Inc.	87,380	2,875
Marshall & Ilsley Corp.	37,000	1,635
MBIA, Inc.	23,350	1,478
MBNA Corp.	211,815	5,971
Mellon Financial Corp.	70,268	2,186
Merrill Lynch & Co., Inc.	154,400	9,228
MetLife, Inc.	123,436	5,000
MGIC Investment Corp.	16,000	1,103
Moody's Corp.	24,475	2,126
Morgan Stanley	181,513	10,078
National City Corp.	112,297	4,217
North Fork Bancorporation, Inc.	78,050	2,252
Northern Trust Corp.	36,350	1,766
Plum Creek Timber Co., Inc. (REIT)	30,400	1,169

Index 500 Stock Portfolio

Common Stocks (98.3%)	Shares/ \$ Par	Value \$ (000's)	Common Stocks (98.3%)	Shares/ \$ Par	Value \$ (000's)
Financials continued			Health Care continued		
The PNC Financial Services Group, Inc.	46,867	2,692	*Humana, Inc.	26,400	784
Principal Financial Group, Inc.	50,900	2,084	IMS Health, Inc.	38,467	893
The Progressive Corp.	33,200	2,817	Johnson & Johnson	492,037	31,205
ProLogis	30,500	1,322	*King Pharmaceuticals, Inc.	40,066	497
*Provident Financial Corp.	48,557	800	*Laboratory Corp. of America Holdings	22,900	1,141
Prudential Financial, Inc.	85,100	4,677	Manor Care, Inc.	14,300	507
Regions Financial Corp.	77,030	2,741	McKesson Corp.	48,705	1,532
SAFECO Corp.	21,050	1,100	*Medco Health Solutions, Inc.	45,172	1,879
Simon Property Group, Inc.	36,700	2,373	*MedImmune, Inc.	41,200	1,117
SLM Corp.	71,242	3,804	Medtronic, Inc.	200,400	9,954
Sovereign Bancorp, Inc.	57,200	1,290	Merck & Co., Inc.	367,720	11,819
The St. Paul Travelers Companies, Inc.	111,010	4,115	*Millipore Corp.	8,200	408
State Street Corp.	55,300	2,716	Mylan Laboratories, Inc.	44,600	789
SunTrust Banks, Inc.	61,433	4,539	PerkinElmer, Inc.	21,200	477
Synovus Financial Corp.	51,350	1,468	Pfizer, Inc.	1,248,634	33,575
T. Rowe Price Group, Inc.	21,200	1,319	Quest Diagnostics, Inc.	16,800	1,605
Torchmark Corp.	17,950	1,026	Schering-Plough Corp.	244,150	5,098
U.S. Bancorp	309,621	9,697	*St. Jude Medical, Inc.	59,300	2,486
UnumProvident Corp.	49,131	881	Stryker Corp.	66,700	3,218
Wachovia Corp.	265,857	13,984	*Tenet Healthcare Corp.	77,350	849
Washington Mutual, Inc.	144,787	6,122	*Thermo Electron Corp.	26,500	800
Wells Fargo & Co.	280,480	17,432	UnitedHealth Group, Inc.	108,372	9,540
XL Capital, Ltd. — Class A	23,000	1,786	*Waters Corp.	20,000	936
Zions Bancorporation	14,900	1,014	*Watson Pharmaceuticals, Inc.	18,200	597
Total		386,303	*WellPoint, Inc.	48,900	5,624
Health Care (12.5%)			Wyeth	221,229	9,422
Abbott Laboratories	258,250	12,047	*Zimmer Holdings, Inc.	40,637	3,256
Aetna, Inc.	24,477	3,054	Total		237,253
Allergan, Inc.	21,767	1,765	Industrials (11.6%)		
AmerisourceBergen Corp.	17,400	1,021	3M Co.	129,076	10,593
*Amgen, Inc.	210,617	13,511	*Allied Waste Industries, Inc.	52,750	490
Applera Corp. — Applied Biosystems Group	32,533	680	American Power Conversion Corp.	31,750	679
Bausch & Lomb, Inc.	8,900	574	*American Standard Companies, Inc.	35,600	1,471
Baxter International, Inc.	102,200	3,530	*Apollo Group, Inc. — Class A	30,700	2,478
Becton, Dickinson and Co.	41,950	2,383	Avery Dennison Corp.	18,350	1,100
*Biogen Idec, Inc.	55,290	3,683	The Boeing Co.	139,176	7,205
Biomet, Inc.	41,945	1,820	Burlington Northern Santa Fe Corp.	62,285	2,947
*Boston Scientific Corp.	139,972	4,976	Caterpillar, Inc.	56,588	5,518
Bristol-Myers Squibb Co.	322,608	8,265	Cendant Corp.	174,533	4,081
C. R. Bard, Inc.	17,400	1,113	Cintas Corp.	28,433	1,247
Cardinal Health, Inc.	71,625	4,165	Cooper Industries, Ltd. — Class A	15,200	1,032
*Caremark Rx, Inc.	75,400	2,973	CSX Corp.	35,650	1,429
*Chiron Corp.	31,022	1,034	Cummins, Inc.	7,500	628
CIGNA Corp.	22,229	1,813	Danaher Corp.	51,200	2,939
Eli Lilly and Co.	187,606	10,647	Deere & Co.	41,160	3,062
*Express Scripts, Inc.	12,600	963	*Delta Air Lines, Inc.	21,467	161
*Fisher Scientific International, Inc.	19,400	1,210	Dover Corp.	33,767	1,416
*Forest Laboratories, Inc.	61,066	2,739	Eaton Corp.	25,200	1,823
*Genzyme Corp.	41,100	2,387	Emerson Electric Co.	69,550	4,875
*Gilead Sciences, Inc.	71,800	2,512	Equifax, Inc.	22,400	629
Guidant Corp.	52,788	3,806	FedEx Corp.	49,820	4,907
HCA, Inc.	69,811	2,790	Fluor Corp.	13,900	758
Health Management Associates, Inc. — Class A	40,400	918	General Dynamics Corp.	33,200	3,473
*Hospira, Inc.	25,865	866	General Electric Co.	1,752,906	63,982
			Goodrich Corp.	19,700	643
			H&R Block, Inc.	27,350	1,340

Index 500 Stock Portfolio

Common Stocks (98.3%)	Shares/ \$ Par	Value \$ (000's)	Common Stocks (98.3%)	Shares/ \$ Par	Value \$ (000's)
Industrials continued			Information Technology continued		
Honeywell International, Inc.	142,650	5,051	*Corning, Inc.	232,500	2,737
Illinois Tool Works, Inc.	49,000	4,541	*Dell, Inc.	411,933	17,359
Ingersoll-Rand Co. — Class A	28,580	2,295	*Electronic Arts, Inc.	50,600	3,121
ITT Industries, Inc.	15,300	1,292	Electronic Data Systems Corp.	85,167	1,967
L-3 Communications Holdings, Inc.	19,100	1,399	*EMC Corp.	397,274	5,907
Lockheed Martin Corp.	73,408	4,078	First Data Corp.	137,632	5,855
Masco Corp.	74,300	2,714	*Fiserv, Inc.	32,425	1,303
*Monster Worldwide, Inc.	19,767	665	*Freescale Semiconductor Inc. — Class B	64,623	1,186
*Navistar International Corp.	11,550	508	*Gateway, Inc.	61,950	372
Norfolk Southern Corp.	65,657	2,376	Hewlett-Packard Co.	500,726	10,500
Northrop Grumman Corp.	61,020	3,317	Intel Corp.	1,048,363	24,521
PACCAR, Inc.	28,807	2,318	International Business Machines Corp.	276,039	27,211
Pall Corp.	20,550	595	*Intuit, Inc.	31,100	1,369
Parker-Hannifin Corp.	19,775	1,498	*Jabil Circuit, Inc.	33,367	854
Pitney Bowes, Inc.	38,237	1,770	*JDS Uniphase Corp.	239,400	759
*Power-One, Inc.	13,900	124	*KLA-Tencor Corp.	32,400	1,509
R. R. Donnelley & Sons Co.	36,434	1,286	*Lexmark International, Inc. — Class A	21,400	1,819
Raytheon Co.	75,000	2,912	Linear Technology Corp.	50,950	1,975
Robert Half International, Inc.	28,740	846	*LSI Logic Corp.	63,800	350
Rockwell Automation, Inc.	30,550	1,514	*Lucent Technologies, Inc.	732,936	2,756
Rockwell Collins, Inc.	29,250	1,154	Maxim Integrated Products, Inc.	53,900	2,285
Ryder System, Inc.	10,700	511	*Mercury Interactive Corp.	14,000	638
Southwest Airlines Co.	129,267	2,104	*Micron Technology, Inc.	101,550	1,254
Textron, Inc.	22,850	1,686	Microsoft Corp.	1,802,600	48,146
Tyco International, Ltd.	333,508	11,920	Molex, Inc.	31,250	938
Union Pacific Corp.	43,060	2,896	Motorola, Inc.	403,677	6,943
United Parcel Service, Inc. — Class B	185,800	15,878	National Semiconductor Corp.	59,386	1,066
United Technologies Corp.	84,767	8,761	*NCR Corp.	15,500	1,073
W.W. Grainger, Inc.	14,900	993	*Network Appliance, Inc.	59,500	1,977
Waste Management, Inc.	94,885	2,841	*Novell, Inc.	62,300	421
Total		220,749	*Novellus Systems, Inc.	23,200	647
Information Technology (15.8%)			*NVIDIA Corp.	27,600	650
*ADC Telecommunications, Inc.	134,150	360	*Oracle Corp.	850,325	11,666
Adobe Systems, Inc.	39,525	2,480	*Parametric Technology Corp.	44,580	263
*Advanced Micro Devices, Inc.	64,000	1,409	Paychex, Inc.	62,735	2,138
*Affiliated Computer Services, Inc. — Class A	21,300	1,282	*PMC-Sierra, Inc.	29,500	332
*Agilent Technologies, Inc.	80,537	1,941	*QLogic Corp.	15,350	564
*Altera Corp.	61,711	1,277	QUALCOMM, Inc.	271,734	11,522
Analog Devices, Inc.	62,357	2,302	Sabre Holdings Corp. — Class A	22,467	498
*Andrew Corp.	26,637	363	*Sanmina-SCI Corp.	86,400	732
*Apple Computer, Inc.	66,700	4,295	Scientific-Atlanta, Inc.	25,400	838
*Applied Materials, Inc.	281,600	4,815	*Siebel Systems, Inc.	84,300	885
*Applied Micro Circuits Corp.	51,100	215	*Solectron Corp.	161,000	858
Autodesk, Inc.	38,068	1,445	*Sun Microsystems, Inc.	557,597	3,000
Automatic Data Processing, Inc.	96,550	4,282	*SunGard Data Systems, Inc.	47,900	1,357
*Avaya, Inc.	75,916	1,306	*Symantec Corp.	105,200	2,710
*BMC Software, Inc.	36,760	684	Symbol Technologies, Inc.	39,850	689
*Broadcom Corp. — Class A	54,600	1,762	Tektronix, Inc.	14,960	452
*CIENA Corp.	94,800	317	*Tellabs, Inc.	76,592	658
*Cisco Systems, Inc.	1,091,800	21,072	*Teradyne, Inc.	32,150	549
*Citrix Systems, Inc.	28,120	690	Texas Instruments, Inc.	286,500	7,054
Computer Associates International, Inc.	97,092	3,016	*Unisys Corp.	55,650	567
*Computer Sciences Corp.	31,350	1,767	*VERITAS Software Corp.	70,032	1,999
*Compuware Corp.	64,157	415	*Xerox Corp.	158,100	2,689
*Comverse Technology, Inc.	32,800	802	Xilinx, Inc.	57,800	1,714
*Convergys Corp.	23,450	352	*Yahoo!, Inc.	228,000	8,591
			Total		300,442

Index 500 Stock Portfolio

Common Stocks (98.3%)	Shares/ \$ Par	Value \$ (000's)
Materials (3.0%)		
Air Products and Chemicals, Inc.	37,667	2,184
Alcoa, Inc.	144,307	4,534
Allegheny Technologies, Inc.	15,817	343
Ball Corp.	18,632	819
Bemis Co., Inc.	17,700	515
The Dow Chemical Co.	156,309	7,740
E. I. du Pont de Nemours and Co.	164,628	8,076
Eastman Chemical Co.	12,925	746
Ecolab, Inc.	42,700	1,500
Engelhard Corp.	20,300	623
Freeport-McMoRan Copper & Gold, Inc. — Class B	29,581	1,131
Georgia-Pacific Corp.	42,804	1,604
Great Lakes Chemical Corp.	8,500	242
*Hercules, Inc.	18,600	276
International Flavors & Fragrances, Inc.	15,600	668
International Paper Co.	80,666	3,388
Louisiana-Pacific Corp.	18,200	487
MeadWestvaco Corp.	33,579	1,138
Monsanto Co.	43,853	2,436
Newmont Mining Corp.	73,580	3,268
Nucor Corp.	26,366	1,380
*Pactiv Corp.	24,600	622
Phelps Dodge Corp.	15,824	1,565
PPG Industries, Inc.	28,467	1,940
Praxair, Inc.	53,800	2,375
Rohm and Haas Co.	37,280	1,649
*Sealed Air Corp.	13,821	736
Sigma-Aldrich Corp.	11,400	689
Temple-Inland, Inc.	9,300	636
United States Steel Corp.	18,850	966
Vulcan Materials Co.	17,000	928
Weyerhaeuser Co.	39,780	<u>2,674</u>
Total		<u>57,878</u>
Telecommunication Services (3.2%)		
ALLTEL Corp.	50,357	2,959
AT&T Corp.	132,007	2,516
BellSouth Corp.	303,765	8,442
CenturyTel, Inc.	22,300	791
Citizens Communications Co.	55,600	767
*Nextel Communications, Inc. — Class A	184,250	5,528
*Qwest Communications International, Inc.	301,135	1,337
SBC Communications, Inc.	549,747	14,166
Sprint Corp.	243,889	6,061
Verizon Communications, Inc.	459,142	<u>18,599</u>
Total		<u>61,166</u>
Utilities (2.9%)		
*The AES Corp.	107,600	1,471
*Allegheny Energy, Inc.	22,800	449

Common Stocks (98.3%)	Shares/ \$ Par	Value \$ (000's)
Utilities continued		
Ameren Corp.	32,267	1,618
American Electric Power Co., Inc.	65,640	2,254
*Calpine Corp.	88,560	349
Centerpoint Energy, Inc.	51,062	577
Cinergy Corp.	30,084	1,252
*CMS Energy Corp.	32,300	338
Consolidated Edison, Inc.	40,150	1,757
Constellation Energy Group, Inc.	29,200	1,276
Dominion Resources, Inc.	54,995	3,725
DTE Energy Co.	28,850	1,244
Duke Energy Corp.	158,630	4,018
*Dyneegy, Inc. — Class A	63,000	291
Edison International	54,020	1,730
Entergy Corp.	37,109	2,508
Exelon Corp.	109,824	4,841
FirstEnergy Corp.	54,665	2,160
FPL Group, Inc.	30,757	2,299
KeySpan Corp.	26,600	1,049
Nicor, Inc.	7,350	272
NiSource, Inc.	44,873	1,022
Peoples Energy Corp.	6,200	272
*PG&E Corp.	66,825	2,224
Pinnacle West Capital Corp.	15,200	675
PPL Corp.	31,334	1,669
Progress Energy, Inc.	40,992	1,854
Public Service Enterprise Group, Inc.	39,436	2,042
Sempra Energy	38,702	1,420
The Southern Co.	122,600	4,110
TECO Energy, Inc.	33,100	508
TXU Corp.	39,865	2,574
Xcel Energy, Inc.	66,420	<u>1,209</u>
Total		<u>55,057</u>
Total Common Stocks (Cost: \$1,382,618)		
		<u>1,871,273</u>
Money Market Investments (1.6%)		
Federal Government & Agencies (0.2%)		
(b)Federal Home Loan Mortgage Corp., 2.42%, 3/22/05	3,000,000	<u>2,985</u>
Total		<u>2,985</u>
Finance Services (0.5%)		
(b)Preferred Receivable Funding, 2.25%, 1/6/05	10,000,000	<u>9,997</u>
Total		<u>9,997</u>
Personal Credit Institutions (0.5%)		
(b)Rabobank Financial Corp., 2.17%, 1/4/05	10,000,000	<u>9,998</u>
Total		<u>9,998</u>

Index 500 Stock Portfolio

	Shares/ \$ Par	Value \$ (000's)
Money Market Investments (1.6%)		
Short Term Business Credit (0.4%)		
(b)CXC Inc., 2.20%, 1/3/05	7,500,000	<u>7,499</u>
Total		<u>7,499</u>
Total Money Market Investments (Cost: \$30,478)		<u>30,479</u>
Total Investments (99.9%) (Cost \$1,413,096)(a)		<u>1,901,752</u>
Other Assets, Less Liabilities (0.1%)		<u>2,370</u>
Total Net Assets (100.0%)		<u>1,904,122</u>

(b) All or a portion of the securities have been committed as collateral for open futures positions or when-issued securities. Information regarding open futures contracts as of period end is summarized below.

Issuer (000's)	Number of Contracts	Expiration Date	Unrealized Appreciation/Depreciation (000's)
S&P 500 Index Futures	100	3/05	\$472
(Total Notional Value at December 31, 2004, \$29,871)			

* Non-Income Producing

(a) At December 31, 2004 the aggregate cost of securities for federal tax purposes (in thousands) was \$1,417,226 and the net unrealized appreciation of investments based on that cost was \$484,526 which is comprised of \$641,921 aggregate gross unrealized appreciation and \$157,395 aggregate gross unrealized depreciation.

The Accompanying Notes are an Integral Part of the Financial Statements

Asset Allocation Portfolio

Objective: Realize highest total return, including current income and capital appreciation, consistent with reasonable investment risk	Portfolio Strategy: Flexible policy of allocating assets among stocks, bonds and cash, with mix adjusted to capitalize on changing financial markets and economic conditions.	Net Assets: \$197 million
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The investment objective of the Asset Allocation Portfolio is to realize as high a level of total return as is consistent with reasonable investment risk. The Portfolio will follow a flexible policy for allocating assets among equity securities, debt investments, and cash or cash equivalents. The Asset Allocation Portfolio invests in six categories of assets: large capitalization stocks, small capitalization stocks, foreign stocks, investment grade bonds, below investment grade bonds, and cash equivalents. The proportion of investments in each category is adjusted as appropriate to take advantage of market trends and opportunities, and securities within each category are actively managed by an investment professional with expertise in that category. The Portfolio is managed to maintain broad diversification, while blending asset classes to achieve both capital appreciation and current income.

Comparison of returns of the Asset Allocation Portfolio with stock or bond indices is of limited usefulness because there is no index that includes both equity and debt securities. The Portfolio's performance is generally a blend of stock and bond performance. For the year ended December 31, 2004, the Asset Allocation Portfolio had a total return of 10.02%. The return was below the return of 10.88% for the S&P 500 Index, but above the return of the bond benchmark, the Merrill Lynch Domestic Master Index, which had a return of 4.34%. (These indices are unmanaged, cannot be invested in directly, and do not include administrative expenses or sales charges.) The Portfolio outperformed its peer group, Flexible Portfolio Funds, which had an average return of 8.25% for the same period, according to Lipper Analytical Services, Inc. ("Lipper"), an independent mutual fund ranking agency.

Stocks, which had a spectacular year in 2003, experienced very nice gains again for the year ended December 31, 2004. As the cyclical recovery continued, returns on large capitalization stocks lagged for the second year in a row, as investors sought higher returns in riskier equities including small cap and international stocks. The majority of the gains in all segments of the market came in the fourth quarter alone. Earlier in the year the stock market languished, as a number of economic concerns dampened investors' spirits. A combination of rising oil prices, a weakening dollar, rising interest rates, the Iraqi war, and the upcoming presidential election put a drag on the economy and the market. But in the fourth quarter, especially following the November elections, the market experienced a dramatic turnaround. A significant drop in oil prices beginning in October also served as a catalyst for the change, and the gains made during the fourth quarter accounted for most of the gain for the year. The fourth quarter alone accounted for 9.23% of the S&P 500 Index's 2004 annual gain of 10.88%.

Bonds also posted positive returns in 2004, and high yield bonds significantly outperformed investment grade bonds for the second year in a row. The bond market experienced significant fluctuations

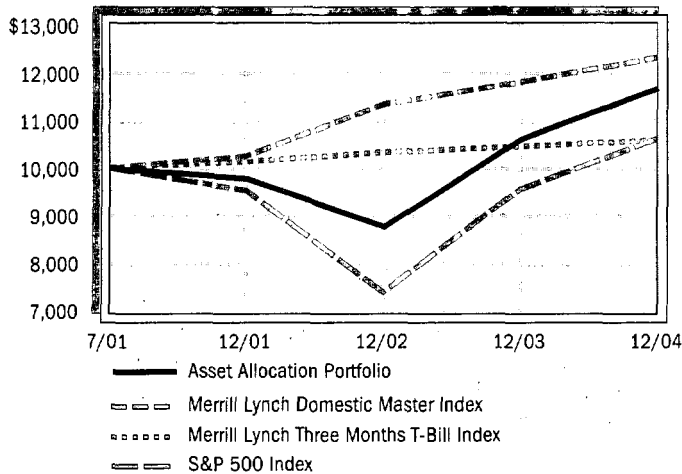
during the year, however. Short-term interest rates began to rise in April, after a sustained period in which they had remained at 45-year lows, and the second quarter of 2004 was the worst quarter for bond returns since 1980. Reversing course in the third quarter — an unusual time in which bond prices rose while short-term interest rates were moving up — bonds had their best quarter in two years. The fourth quarter of 2004 was typified by generally rising yields, with the rise most acute at the front end of the yield curve, and the yield curve continued to flatten. With the economy seemingly on stable footing — growing not too fast and not too slow — the incremental yields of both high grade corporates and high yield bonds looked appealing. Overall for the year, the Treasury yield curve flattened and corporate credit spreads tightened as bond investors looking for higher yields took on more credit risk rather than locking in longer term bonds.

Adding to the Portfolio's return in 2004 was an overweight position in foreign stocks, which benefited from strength in most international stock markets and from the weaker dollar. International stocks, as measured by the MSCI EAFE (Europe, Australasia, Far East) Index, returned 20.70% for the year. Seeing more potential in international stocks than in domestic stocks, we made a conscious decision to add to this position, and at year end, 16% of the Portfolio was invested in foreign stocks compared to 15.0% at the beginning of the year. A substantial position in small-capitalization stocks (12.8% of assets at year end) also helped the Portfolio's performance, as riskier securities outperformed high quality stocks for the year. Small cap stocks were the best performing asset class in 2004, as measured by the S&P 600 SmallCap Index, which gained 22.65% for the year. A neutral weighting in large cap domestic stocks (32%, including futures, at year end), which underperformed riskier small-cap and mid-cap stocks during the year, was a slight drag on performance. The Portfolio's weighting in investment grade bonds, which was too high given the environment that rewarded riskier assets, was also a negative for the year. At year end, the Portfolio held approximately 28% of its assets in investment grade bonds and approximately 7% in below-investment grade bonds.

As we enter the first quarter of 2005, we see no obvious valuation anomalies among asset classes, and the Portfolio is staying close to neutral. A modest overweight position in equities is an indication of the team's view that stocks still look relatively inexpensive compared to bonds. The variability of returns in many asset classes in recent years provides convincing evidence of the advantage of a diversified portfolio. This Portfolio gives investors the advantage of ongoing analysis of all market sectors, with shifts among sectors as appropriate for market conditions. We will continue to evaluate each asset class individually and comparatively, and choose the asset allocation we believe is likely to maximize overall long-term returns.

Asset Allocation Portfolio

Relative Performance



Average Annual Total Return
For Periods Ended December 31, 2004

	1 Year	Since Inception*
Asset Allocation Portfolio	10.02%	4.59%
S&P 500 Index	10.88%	1.72%
Merrill Lynch Domestic Master Index	4.34%	6.20%
Merrill Lynch Three Months T-Bill Index	1.33%	1.65%
Flexible Portfolio Funds Lipper Average	8.25%	—

*inception date of 7/31/01

The performance data quoted represents past performance. Past performance is historical and does not guarantee future performance. Investment return and principal value will fluctuate, so that 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. For the most recent month-end performance information, visit www.nmfn.com.

This chart assumes an initial investment of \$10,000 made on 7/31/01 (commencement of the Portfolio's operations). Returns shown reflect fee waivers, deductions for management and other Portfolio expenses, and reinvestment of all dividends. In the absence of fee waivers, total return would be reduced. Total returns, which reflect deduction of charges for the separate account are shown beginning on page iv of the Performance Summary of the Separate Account Report.

In the graph, the Portfolio is compared against three indices representing the three major components of the Fund: equities, fixed income and cash equivalent investments. The indices cannot be invested in directly and do not include sales charges.

The Standard & Poor's 500 Composite Stock Price Index is an unmanaged index of 500 selected common stocks, most of which are listed on the New York Stock Exchange. As of December 31, 2004, the 500 companies in the composite had a median market capitalization of \$10.6 billion and a total market value of \$11.2 trillion. The S&P 500 represents approximately 60.2% of the market value of the Compustat's database of about 9,381 equities. The index cannot be invested in directly and does not include sales charges.

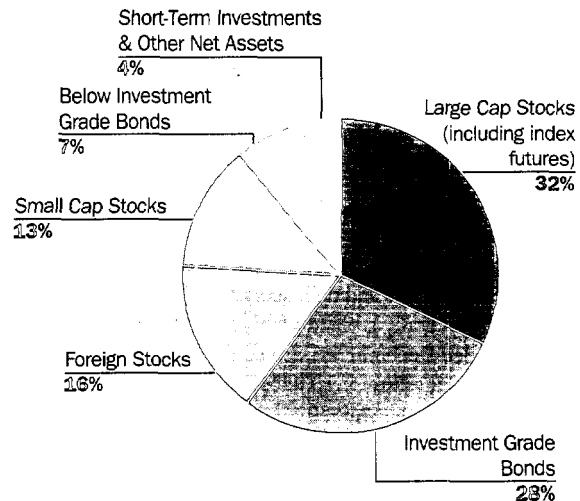
The Merrill Lynch Domestic Master Index is an unmanaged market value weighted index comprised of U.S. Government, mortgage and investment-grade corporate bonds. The index measures the income provided by, and the price changes of, the underlying securities.

The Merrill Lynch Three Months T-Bill Index is comprised of a single issue purchased at the beginning of each month and held for a full month. The issue selected at each month-end rebalancing is the outstanding Treasury bill that matures closest to, but not beyond, three months from the rebalancing date.

The Lipper Variable Insurance Products (VIP) Flexible Portfolio Funds Average is calculated by Lipper Analytical Services, Inc. and reflects the average investment return of portfolios underlying variable life and annuity products. The category consists of Funds that allocate investments across various asset classes, including domestic common stocks, bonds, and money market instruments with a focus on total return. Source: Lipper, Inc.

Investors should be aware of the risks of investments in foreign securities, particularly investments in securities of companies in developing nations. These include the risks of currency fluctuation, of political and economic instability and of less well-developed government supervision and regulation of business and industry practices, as well as differences in accounting standards. Small-cap stocks also may carry additional risk. Small or newer issuers are more likely to realize more substantial growth as well as suffer more significant losses than larger or more established issuers. Investments in such companies can be both more volatile and more speculative.

Sector Allocation 12/31/04



Sector Allocation is based on Net Assets.
Sector Allocation is subject to change.

No investment strategy can guarantee a profit or protect against a loss.

Expense Example

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management 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 period and held for the entire period (July 1, 2004 to December 31, 2004).

Actual Expenses

The first 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 first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second 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 transactional costs. Therefore, the second 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 transactional costs were included, your costs would have been higher.

	Beginning Account Value July 1, 2004	Ending Account Value December 31, 2004	Expenses Paid During Period July 1, 2004 to December 31, 2004*
Actual	\$1,000.00	\$1,078.00	\$3.31
Hypothetical (5% return before expenses)	\$1,000.00	\$1,021.64	\$3.22

* Expenses are equal to the Fund's annualized expense ratio of 0.63%, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period).

Asset Allocation Portfolio

Northwestern Mutual Series Fund, Inc.

Schedule of Investments

December 31, 2004

Domestic Common Stocks, Options and Warrants (36.5%)	Shares/ \$ Par	Value \$ (000's)	Large Cap Common Stocks (23.8%)	Shares/ \$ Par	Value \$ (000's)
Large Cap Common Stocks (23.8%)			Financials continued		
Consumer Discretionary (4.7%)			Lehman Brothers Holdings, Inc.	5,400	472
*Bed Bath & Beyond, Inc.	8,300	331	Morgan Stanley	8,600	477
Best Buy Co., Inc.	4,600	273	Prudential Financial, Inc.	9,400	517
Carnival Corp.	8,800	507	U.S. Bancorp	17,300	542
*Comcast Corp. — Class A	8,500	283	Wachovia Corp.	7,900	416
DaimlerChrysler AG	4,700	226	Wells Fargo & Co.	16,900	1,051
*eBay, Inc.	3,000	349	Total Financials		7,225
Fortune Brands, Inc.	11,300	872	Health Care (3.6%)		
Harley-Davidson, Inc.	7,200	437	Abbott Laboratories	9,800	457
J. C. Penney Co., Inc.	13,400	555	*Amgen, Inc.	12,800	821
*Kohl's Corp.	6,900	339	*Boston Scientific Corp.	9,900	352
Lowe's Companies, Inc.	3,200	184	*Caremark Rx, Inc.	11,300	446
McDonald's Corp.	12,100	388	Eli Lilly and Co.	6,300	358
The McGraw-Hill Companies, Inc.	5,600	513	*Fisher Scientific International, Inc.	3,700	231
News Corp., Inc. — Class A	20,400	381	*Genentech, Inc.	6,600	359
NIKE, Inc. — Class B	5,400	490	*Gilead Sciences, Inc.	10,900	381
Omnicom Group, Inc.	6,800	573	Guidant Corp.	1,600	115
PETsMART, Inc.	9,200	327	Johnson & Johnson	12,900	818
Staples, Inc.	14,400	485	Medtronic, Inc.	13,000	646
Target Corp.	17,700	920	Pfizer, Inc.	25,300	680
*Time Warner, Inc.	21,200	412	*St. Jude Medical, Inc.	8,000	335
Viacom, Inc. — Class B	12,900	469	Teva Pharmaceutical Industries, Ltd., ADR	14,800	442
Total Consumer Discretionary		9,314	UnitedHealth Group, Inc.	2,700	238
Consumer Staples (1.9%)			*Zimmer Holdings, Inc.	5,300	425
Altria Group, Inc.	14,700	899	Total Health Care		7,104
Anheuser-Busch Companies, Inc.	6,100	309	Industrials (1.9%)		
Avon Products, Inc.	10,000	387	Canadian National Railway Co.	10,700	655
PepsiCo, Inc.	12,900	673	Caterpillar, Inc.	3,100	302
The Procter & Gamble Co.	6,000	330	FedEx Corp.	2,800	276
Wal-Mart Stores, Inc.	15,200	803	General Electric Co.	48,700	1,778
Walgreen Co.	9,500	365	Tyco International, Ltd.	14,200	508
Total Consumer Staples		3,766	United Parcel Service, Inc. — Class B	3,300	282
Energy (1.5%)			Total Industrials		3,801
BP PLC, ADR	3,800	222	Information Technology (5.2%)		
ConocoPhillips	5,600	486	*Accenture Ltd. — Class A	12,700	343
EOG Resources, Inc.	7,400	528	*Affiliated Computer Services, Inc. — Class A	9,300	560
Exxon Mobil Corp.	15,500	795	Analog Devices, Inc.	9,600	354
Halliburton Co.	12,300	483	*ASML Holding N.V.	24,300	387
*Noble Corp.	8,500	423	*Broadcom Corp. — Class A	6,700	216
Total Energy		2,937	*Cisco Systems, Inc.	41,600	802
Financials (3.7%)			*Dell, Inc.	18,800	792
American Express Co.	7,200	406	First Data Corp.	13,700	583
American International Group, Inc.	10,900	716	*Fiserv, Inc.	8,100	326
Capital One Financial Corp.	3,600	303	*Google, Inc. — Class A	900	174
The Chubb Corp.	6,400	492	Hewlett-Packard Co.	15,800	331
Citigroup, Inc.	15,100	728	Intel Corp.	24,900	582
Countrywide Financial Corp.	3,898	144	International Business Machines Corp.	5,900	582
Freddie Mac	3,300	243	*Lexmark International, Inc. — Class A	5,200	442
The Goldman Sachs Group, Inc.	4,300	447	Microsoft Corp.	53,300	1,423
Legg Mason, Inc.	3,700	271	National Semiconductor Corp.	16,900	303

Asset Allocation Portfolio

Large Cap Common Stocks (23.8%)	Shares/ \$ Par	Value \$ (000's)
Information Technology continued		
SAP AG — Sponsored ADR	5,700	252
*Symantec Corp.	7,000	180
Taiwan Semiconductor Manufacturing Co., Ltd., ADR	25,288	215
*Telefonaktiebolaget LM Ericsson	12,500	394
Texas Instruments, Inc.	11,200	276
*VeriSign, Inc.	8,700	292
*Yahoo!, Inc.	10,366	391
Total Information Technology		10,200
Materials (1.0%)		
Alcoa, Inc.	25,300	795
Newmont Mining Corp.	5,500	244
Praxair, Inc.	11,600	512
Weyerhaeuser Co.	7,500	504
Total Materials		2,055
Other Holdings (0.1%)		
*Nasdaq-100 Trust, Series 1	3,700	148
Total Other Holdings		148
Telecommunication Services (0.2%)		
Vodafone Group PLC, ADR	17,300	474
Total Telecommunication Services		474
Total Large Cap Common Stocks		47,024
Small Cap Common Stocks (12.7%)		
Consumer Discretionary (2.4%)		
*AnnTaylor Stores Corp.	10,425	224
Choice Hotels International, Inc.	3,100	180
*Coach, Inc.	4,300	243
*Digital Theater Systems, Inc.	9,200	185
*eLong, Inc. — Sponsored ADR	4,346	81
Garmin, Ltd.	4,300	262
*Hibbett Sporting Goods, Inc.	5,300	141
Jones Apparel Group, Inc.	5,100	187
*Lamar Advertising Co. — Class A	7,700	329
Leggett & Platt, Inc.	18,800	534
Michaels Stores, Inc.	15,400	462
*O'Reilly Automotive, Inc.	17,300	779
Orient-Express Hotel, Ltd. — Class A	12,800	263
*Pinnacle Entertainment, Inc.	18,500	366
Polaris Industries, Inc.	2,400	163
*Sharper Image Corp.	6,000	113
The Talbots, Inc.	6,500	177
*Westwood One, Inc.	4,300	116
Total Consumer Discretionary		4,805
Energy (0.6%)		
BJ Services Co.	5,100	237
*National-Oilwell, Inc.	8,800	311
Patterson-UTI Energy, Inc.	15,900	309
*Quicksilver Resources, Inc.	3,600	132
*Smith International, Inc.	4,400	239
Total Energy		1,228

Small Cap Common Stocks (12.7%)	Shares/ \$ Par	Value \$ (000's)
Financials (1.0%)		
Assured Guaranty, Ltd.	7,000	138
BankAtlantic Bancorp, Inc. — Class A	7,000	139
*CapitalSource, Inc.	7,900	203
Investors Financial Services Corp.	15,000	750
Main Street Banks, Inc.	2,300	80
Old Republic International Corp.	10,150	257
*Silicon Valley Bancshares	3,700	166
*Trammell Crow Co.	9,800	177
Total Financials		1,910
Health Care (3.7%)		
*Angiotech Pharmaceuticals, Inc.	9,600	177
*Caremark Rx, Inc.	11,936	471
*Cytyc Corp.	8,300	229
*DaVita, Inc.	49,750	1,966
Health Management Associates, Inc. — Class A	15,800	359
*Impax Laboratories, Inc.	8,800	140
*Kinetic Concepts, Inc.	5,800	443
*Kyphon, Inc.	7,100	183
*Lincare Holdings, Inc.	14,500	618
*Patterson Companies, Inc.	17,800	772
*Psychiatric Solutions, Inc.	8,800	322
*Radiation Therapy Services, Inc.	9,100	155
*Renal Care Group, Inc.	14,600	525
Select Medical Corp.	10,500	185
*Thermo Electron Corp.	8,900	269
*Varian Medical Systems, Inc.	5,600	242
Total Health Care		7,056
Industrials (1.8%)		
*Arbinet Holdings, Inc.	800	20
Brady Corp. — Class A	2,000	125
C.H. Robinson Worldwide, Inc.	8,200	455
Cintas Corp.	2,700	118
The Corporate Executive Board Co.	5,000	335
*Forward Air Corp.	5,200	232
*HouseValues, Inc.	1,010	15
*Intersections, Inc.	11,700	202
Knight Transportation, Inc.	18,825	467
L-3 Communications Holdings, Inc.	3,300	242
Manpower, Inc.	1,600	77
*Marlin Business Services, Inc.	7,300	139
MSC Industrial Direct Co., Inc. — Class A	11,600	417
Pentair, Inc.	3,100	135
Robert Half International, Inc.	9,200	271
Teleflex, Inc.	6,600	343
Total Industrials		3,593
Information Technology (3.2%)		
*Activision, Inc.	7,700	155
*Amdocs, Ltd.	9,700	255
*Avaya, Inc.	15,200	261
CDW Corp.	4,100	272
*Cogent, Inc.	5,100	168
*Cognos, Inc.	8,500	375
*Cree, Inc.	4,400	176
*Digital River, Inc.	6,200	258

Asset Allocation Portfolio

Small Cap Common Stocks (12.7%)	Shares/ \$ Par	Value \$ (000's)	Foreign Common Stocks (16.5%)	Country	Shares/ \$ Par	Value \$ (000's)
Information Technology continued			Basic Materials continued			
*Essex Corp.	6,500	132	*Umicore — Strip			
*Genesis Microchip, Inc.	11,500	187	VVPR	Belgium	75	0
Harris Corp.	3,500	216	Wienerberger AG	Austria	6,131	293
*Hewitt Associates, Inc.	8,300	266	Total Basic Materials			
*Integrated Circuit Systems, Inc.	9,800	205				1,856
*iPayment, Inc.	3,400	168	Conglomerates (0.8%)			
*Kanbay International, Inc.	1,900	59	Grupo Ferrovial SA	Spain	7,220	386
*KLA-Tencor Corp.	2,600	121	iShares MSCI EAFE			
*Kronos Inc.	4,600	235	Index Fund	United States	3,280	526
*Lam Research Corp.	10,000	289	Nomura TOPIX			
Microchip Technology, Inc.	9,300	248	Exchange Traded			
*NAVTEQ Corp.	2,500	116	Fund	Japan	22,400	253
Paychex, Inc.	8,200	279	Vinci SA	France	2,580	346
*QLogic Corp.	3,300	121	Total Conglomerates			
*Semtech Corp.	5,500	120				1,511
*Silicon Laboratories, Inc.	5,500	194	Consumer Cyclical (3.6%)			
*Tekelec	5,900	121	Beru AG	Germany	350	32
*Tessera Technologies, Inc.	9,800	365	Bridgestone Corp.	Japan	10,000	199
*Verint Systems, Inc.	4,400	160	Bulgari SPA	Italy	18,620	230
*VeriSign, Inc.	5,600	188	Burberry Group PLC	United Kingdom	26,310	203
*Westell Technologies, Inc. — Class A	16,700	114	Carnival Corp.	United Kingdom	4,695	271
*Zebra Technologies Corp. — Class A	8,100	456	Edgars Consolidated			
Total Information Technology		6,280	Stores, Ltd.	South Africa	3,982	214
Total Small Cap Common Stocks		24,872	Esprit Holdings, Ltd.	Hong Kong	55,500	333
Call Options and Warrants (0.0%)			Four Seasons Hotels,			
Foods (0.0%)			Inc.	Canada	1,530	125
B&G Foods, Inc. — EIS	3,875	58	Hilton Group PLC	United Kingdom	31,070	170
Total Foods		58	*Hyundai Motor Co.	Korea	4,840	259
Information Technology (0.0%)			Intercontinental			
Belluna Co., Ltd. — Warrants	307	1	Hotels Group PLC	United Kingdom	13,919	173
C/O Kontron AG, expiring 3/14/05 @ 6.67	296	0	Lagardere S.C.A.	France	3,050	220
Total Information Technology		1	Lottomatica SPA	Italy	8,135	298
Telecommunications (0.0%)			Mediaset SPA	Italy	6,810	86
American Tower Corp.	100	2	Next PLC	United Kingdom	15,580	495
IWO Holdings, Inc. 144A	50	0	NHK Spring Co., Ltd.	Japan	25,000	171
Total Telecommunications		2	Nissan Motor Co.,			
Total Call Options and Warrants		61	Ltd.	Japan	17,100	186
Total Domestic Common Stocks, Options and Warrants		71,957	Nobia AB	Sweden	15,735	260
(Cost: \$59,479)			Nokian Renkaat OYJ	Finland	1,845	280
Foreign Common Stocks (16.5%)	Country		Opap SA	Greece	9,485	262
Basic Materials (0.9%)			Punch Taverns PLC	United Kingdom	24,600	326
BASF AG	Germany	3,460 249	Ryohin Keikaku Co.,			
CRH PLC	Ireland	8,356 224	Ltd.	Japan	4,200	211
K+S AG	Germany	3,380 180	Signet Group PLC	United Kingdom	98,745	209
Nippon Steel Corp.	Japan	83,000 203	Square Enix Co., Ltd.	Japan	7,300	216
Stora Enso OYJ	Finland	14,540 223	Swatch Group AG	Switzerland	1,675	246
Sumitomo Chemical Co., Ltd.	Japan	42,000 206	Techtronic Industries			
*Syngenta AG	Switzerland	2,620 278	Co.	Hong Kong	116,500	255
			*Urbi Desarrollos			
			Urbanos SA	Mexico	22,815	100
			USS Co., Ltd.	Japan	2,410	202
			*Vivendi Universal SA	France	7,910	253
			Walmart de Mexico			
			— Series V	Mexico	50,645	174
			Wolseley PLC	United Kingdom	11,000	206
			Total Consumer Cyclical			
						6,865

Asset Allocation Portfolio

Foreign Common Stocks (16.5%)	Country	Shares/ \$ Par	Value \$ (000's)
Consumer Non-Cyclical (1.3%)			
Axfood AB	Sweden	5,650	191
*Cott Corp. ADR	Canada	5,610	139
*GEOX SPA	Italy	15,730	122
Metro AG	Germany	2,065	114
Natura Cosmetics SA	Brazil	7,820	228
Nestle SA	Switzerland	605	158
Puma AG	Germany	1,440	394
Reckitt Benckiser PLC	United Kingdom	7,890	238
*Royal Numico NV	Netherlands	5,725	206
SABMiller PLC	United Kingdom	11,965	198
Swedish Match AB	Sweden	27,200	315
Tesco PLC	United Kingdom	54,555	338
Total Consumer Non-Cyclical			2,641
Energy (0.9%)			
BP Group PLC	United Kingdom	38,280	260
BP PLC	United Kingdom	19,620	191
EnCana Corp.	Canada	4,375	250
Eni SPA	Italy	10,420	261
Suncor Energy, Inc.	Canada	1,930	69
Technip SA	France	1,538	285
*TGS Nopec Geophysical Co. ASA	Norway	3,990	102
Total SA	France	770	168
*Western Oil Sands, Inc.	Canada	5,590	195
Total Energy			1,781
Financials (3.3%)			
*Admiral Group PLC	United Kingdom	4,515	28
Aktiv Kapital ASA	Norway	200	4
Allianz AG	Germany	780	103
Alpha Bank AE	Greece	7,842	274
AMP, Ltd.	Australia	51,445	291
Anglo Irish Bank Corp. PLC	Ireland	23,858	581
Banca Fideuram SPA	Italy	32,340	167
*Banco Espanol de Credito SA	Spain	16,495	236
Banco Popolare Di Verona	Italy	13,705	279
Bangkok Bank PCL	Thailand	17,000	50
Bank of Yokohama	Japan	35,000	221
Bank Rakyat Indonesia	Indonesia	947,000	293
BNP Paribas	France	3,080	223
Chiba Bank, Ltd.	Japan	29,000	194
Credit Saison Co., Ltd.	Japan	5,800	211
*Credit Suisse Group	Switzerland	3,145	132
DNB NOR ASA	Norway	27,030	267
Erste Bank Der Oester Foereningssparbanken AB	Austria	7,245	388
	Sweden	9,655	240
Fondiarria SAI SPA	Italy	8,235	222

Foreign Common Stocks (16.5%)	Country	Shares/ \$ Par	Value \$ (000's)
Financials continued			
HSBC Holdings PLC	Hong Kong	13,053	223
ING Groep NV	Netherlands	8,770	265
*Kookmin Bank	Korea	5,600	219
Man Group PLC	United Kingdom	6,900	195
Manulife Financial Corp.	Canada	4,080	188
MPC Muenchmeyer Petersen Capital AG	Germany	970	73
OTP Bank	Hungary	11,775	363
Royal Bank of Scotland Group PLC	United Kingdom	6,391	215
Storebrand ASA	Norway	31,040	300
Total Financials			6,445
Health Care (1.2%)			
CSL, Ltd.	Australia	9,990	228
*Elekta AB	Sweden	5,695	164
GN Store Nord	Denmark	21,370	230
Nobel Biocare Holding AG	Switzerland	1,500	272
Novartis AG	Switzerland	4,510	227
Roche Holding AG	Switzerland	2,270	261
Schwarz Pharma AG	Germany	5,850	265
Smith & Nephew PLC	United Kingdom	21,855	224
Stada Arzneimittel AG	Germany	7,455	201
*Synthes, Inc.	Switzerland	2,010	225
Total Health Care			2,297
Industrial Goods (1.4%)			
Atlas Copco AB	Sweden	5,475	247
Capita Group PLC	United Kingdom	36,925	259
*Chiyoda Corp.	Japan	32,000	234
Cobham PLC	United Kingdom	7,855	187
*Daewoo Shipbuilding & Marine Engineering Co., Ltd.	Korea	14,420	215
*Deutz AG	Germany	8,909	36
Hays PLC	United Kingdom	83,190	198
Keyence Corp.	Japan	900	202
Kubota Corp.	Japan	49,000	243
Meggitt PLC	United Kingdom	42,593	214
Metso OYJ	Finland	6,315	100
Neopost SA	France	3,580	277
Omron Corp.	Japan	7,400	177
Volvo AB	Sweden	5,395	214
Total Industrial Goods			2,803
Technology (1.8%)			
*Axalto Holding NV	France	8,065	210
Canon, Inc.	Japan	3,900	210
Dassault Systemes SA	France	3,625	183
*Ericsson LM — B Shares	Sweden	87,525	279
Fuji Photo Film Co., Ltd.	Japan	5,300	193
*Gresham Computing PLC	United Kingdom	33,125	176

Asset Allocation Portfolio

Foreign Common Stocks (16.5%)	Country	Shares/ \$ Par	Value \$ (000's)	Investment Grade Bonds (12.7%)	Shares/ \$ Par	Value \$ (000's)
Technology continued				Auto Related continued		
Hoya Corp.	Japan	2,100	237	Ford Motor Credit Co., 5.70%, 1/15/10	105,000	106
Indra Sistemas SA	Spain	14,135	242	Ford Motor Credit Co., 7.375%, 10/28/09	155,000	167
Infosys Technologies, Ltd.	India	5,967	287	General Motors Acceptance Corp., 5.625%, 5/15/09	200,000	200
*Kontron AG	Germany	25,985	238	General Motors Acceptance Corp., 6.75%, 12/1/14	110,000	110
Net One Systems Co., Ltd.	Japan	70	292	Household Finance Corp., 4.125%, 11/16/09	195,000	194
Nidec Corp.	Japan	1,600	195	Total Auto Related		1,133
Samsung Electronics Co., Ltd.	Korea	450	196	Automobiles And Other Motor Vehicles (0.2%)		
Siemens AG	Germany	2,665	226	Ford Motor Co., 7.45%, 7/16/31	65,000	65
Tandberg ASA	Norway	14,840	184	General Motors Corp., 8.375%, 7/15/33	230,000	239
TDK Corp.	Japan	2,800	207	Total Automobiles And Other Motor Vehicles		304
Total Technology			3,555	Beverages, Malt Beverages (0.1%)		
Telecommunications (0.6%)				Anheuser-Busch Companies, Inc., 7.50%, 3/15/12		
*Deutsche Telekom AG	Germany	11,015	249	Coca-Cola Enterprises, Inc., 5.25%, 5/15/07	125,000	131
*Mobistar SA	Belgium	3,770	353	Coca-Cola Enterprises, Inc., 5.375%, 8/15/06	75,000	77
PT Telekomunikasi Indonesia	Indonesia	361,000	188	Total Beverages, Malt Beverages		235
Telefonica SA	Spain	12,795	241	Cable and Other Pay Television Services (0.2%)		
Vodafone Group PLC	United Kingdom	73,775	200	Comcast Corp., 5.30%, 1/15/14	250,000	258
Total Telecommunications			1,231	Time Warner Entertainment Co., 8.375%, 7/15/33	85,000	110
Transportation (0.4%)				Total Cable and Other Pay Television Services		
Canadian National Railway Co.	Canada	4,605	282			368
Fraport AG	Germany	5,245	224	Chemicals and Allied Products (0.1%)		
*Golar LNG, Ltd.	Norway	9,500	138	Monsanto Co., 4.00%, 5/15/08	185,000	186
Kamigumi Co., Ltd.	Japan	24,000	192	Total Chemicals and Allied Products		186
*Societe Des Autoroutes Paris-Rhin-Rhone	France	575	35	Commercial Banks (1.4%)		
Total Transportation			871	Bank of America Corp., 5.375%, 6/15/14	35,000	37
Utilities (0.3%)				Bank One Corp., 5.25%, 1/30/13	250,000	257
Brisa Auto Estrada de Portugal SA	Portugal	25,240	232	Citigroup, Inc., 4.50%, 7/29/09	160,000	162
Iberdrola SA	Spain	11,010	279	HBOS Treasury Services PLC, 4.00%, 9/15/09 144A	335,000	334
Total Utilities			511	Key Bank NA, 5.80%, 7/1/14	250,000	265
Total Foreign Common Stocks				PNC Bank NA, 5.25%, 1/15/17	385,000	387
			32,367	Rabobank Capital Fund II, 5.26%, 12/31/13 144A	230,000	234
			(Cost: \$23,438)	Royal Bank of Scotland Group PLC, 5.05%, 1/8/15	350,000	353
Revenue Bonds (0.2%)				UnionBanCal Corp., 5.25%, 12/16/13	350,000	354
Municipal Bonds — Revenue (0.2%)				US Bank NA, 4.95%, 10/30/14	180,000	181
Nashville & Davidson County, Tennessee Health and Educational Facilities Board of The Metropolitan Government, 0.00%, 6/1/21, RB		850,000	388	Wachovia Bank NA, 4.80%, 11/1/14	50,000	50
Total Revenue Bonds			388	Wells Fargo & Co., 4.20%, 1/15/10	250,000	251
			(Cost: \$371)	Total Commercial Banks		2,865
Investment Grade Bonds (12.7%)				Auto Related (0.6%)		
Auto Related (0.6%)				American Honda Finance, 4.50%, 5/26/09 144A		
		350,000	356			

Asset Allocation Portfolio

Investment Grade Bonds (12.7%)	Shares/ \$ Par	Value \$ (000's)
Computer and Other Data Processing Service (0.3%)		
Gtech Holdings Corp., 4.75%, 10/15/10	565,000	567
Total Computer and Other Data Processing Service		567
Consumer Non-Cyclical (0.4%)		
The Clorox Co., 4.20%, 1/15/10 144A	190,000	191
The Clorox Co., 5.00%, 1/15/15 144A	115,000	117
Estee Lauder, Inc., 5.75%, 10/15/33	115,000	118
The Gillette Co., 2.50%, 6/1/08	350,000	340
Total Consumer Non-Cyclical		766
Crude Petroleum and Natural Gas (0.5%)		
Conoco Funding Co., 6.35%, 10/15/11	335,000	374
Occidental Petroleum, 4.00%, 11/30/07	120,000	121
Occidental Petroleum, 7.65%, 2/15/06	200,000	209
Occidental Petroleum, 10.125%, 9/15/09	120,000	148
XTO Energy, Inc., 5.00%, 1/31/15 144A	165,000	164
Total Crude Petroleum and Natural Gas		1,016
Data Processing and Preparation (0.2%)		
First Data Corp., 3.90%, 10/1/09	360,000	359
Total Data Processing and Preparation		359
Eating Places (0.1%)		
McDonald's Corp., 3.875%, 8/15/07	110,000	110
McDonald's Corp., 5.375%, 4/30/07	90,000	94
Total Eating Places		204
Electric Services (1.2%)		
FPL Group Capital, Inc., 4.086%, 2/16/07	195,000	197
Indiana Michigan Power, 5.05%, 11/15/14	160,000	160
Kiowa Power Partners LLC, 4.811%, 12/30/13 144A	75,000	75
Kiowa Power Partners LLC, 5.737%, 3/30/21 144A	200,000	201
Oncor Electric Delivery, 6.375%, 1/15/15	70,000	77
PacifiCorp, 5.45%, 9/15/13	240,000	251
Peco Energy Co., 4.75%, 10/1/12	1,000,000	1,010
PPL Electric Utilities Corp., 4.30%, 6/1/13	375,000	362
Public Service Electric & Gas Corp., 5.00%, 1/1/13	100,000	102
Virginia Electric & Power Co., 5.25%, 12/15/15	190,000	193
Total Electric Services		2,628
Electrical and Electronic Machinery, Equipment (0.2%)		
General Electric Co., 5.00%, 2/1/13	300,000	308
Total Electrical and Electronic Machinery, Equipment		308

Investment Grade Bonds (12.7%)	Shares/ \$ Par	Value \$ (000's)
Electrical Equipment and Supplies (0.1%)		
Cooper Industries, Inc., 5.50%, 11/1/09	200,000	212
Total Electrical Equipment and Supplies		212
Electronic Computers (0.6%)		
Hewlett-Packard Co., 6.50%, 7/1/12	1,000,000	1,120
Total Electronic Computers		1,120
Federal Savings Institutions (0.2%)		
World Savings Bank FSB, 4.125%, 12/15/09	345,000	345
Total Federal Savings Institutions		345
Fire, Marine and Casualty Insurance (0.8%)		
Berkley (WR) Corp., 9.875%, 5/15/08	600,000	706
Berkshire Hathaway, Inc., 5.10%, 7/15/14 144A	400,000	410
Berkshire Hathaway, Inc., 3.40%, 7/2/07 144A	250,000	249
Progressive Corp., 6.375%, 1/15/12	130,000	143
Total Fire, Marine and Casualty Insurance		1,508
Gas Transmission And Distribution (0.1%)		
Consolidated Natural Gas Co., 5.00%, 12/1/14	230,000	230
Total Gas Transmission And Distribution		230
Media (0.7%)		
Time Warner, Inc., 6.875%, 5/1/12	165,000	188
Viacom, Inc., 5.625%, 5/1/07	1,000,000	1,046
Viacom, Inc., 5.625%, 8/15/12	165,000	176
Total Media		1,410
Miscellaneous Business Credit Institutions (0.2%)		
Textron Financial Corp., 2.75%, 6/1/06	350,000	346
Total Miscellaneous Business Credit Institutions		346
Motors and Generators (0.5%)		
Emerson Electric Co., 4.50%, 5/1/13	70,000	69
Emerson Electric Co., 4.625%, 10/15/12	690,000	699
Emerson Electric Co., 5.75%, 11/1/11	48,000	52
Emerson Electric Co., 5.85%, 3/15/09	190,000	204
Total Motors and Generators		1,024
Personal Credit Institutions (0.1%)		
SLM Corp., 4.00%, 1/15/10	255,000	253
Total Personal Credit Institutions		253
Petroleum Refining (0.2%)		
Amerada Hess Corp., 7.125%, 3/15/33	165,000	181
Valero Energy Corp., 4.75%, 6/15/13	165,000	163
Total Petroleum Refining		344

Asset Allocation Portfolio

	Shares/ \$ Par	Value \$ (000's)
Investment Grade Bonds (12.7%)		
Pharmaceutical Preparations (0.4%)		
Abbott Laboratories, 3.75%, 3/15/11	260,000	255
Astrazeneca PLC, 5.40%, 6/1/14	165,000	173
GlaxoSmithKline Capital, Inc., 4.375%, 4/15/14	180,000	175
Merck & Co., Inc., 6.40%, 3/1/28	90,000	98
Pfizer, Inc., 4.50%, 2/15/14	120,000	119
Total Pharmaceutical Preparations		820
Phone Communications Except Radiophone (0.6%)		
BellSouth Corp., 5.20%, 9/15/14	330,000	336
SBC Communications, Inc., 5.10%, 9/15/14	125,000	126
Sprint Capital Corp., 8.375%, 3/15/12	335,000	409
Telecom Italia Capital, 4.95%, 9/30/14 144A	50,000	49
Verizon Global Funding Corp., 4.375%, 6/1/13	335,000	326
Total Phone Communications Except Radiophone		1,246
Radio, TV Electronic Stores (0.2%)		
RadioShack Corp., 6.95%, 9/1/07	350,000	379
Total Radio, TV Electronic Stores		379
Railroads, Line-Haul Operating (0.4%)		
Burlington Northern Santa Fe, 6.125%, 3/15/09	240,000	258
Union Pacific Corp., 3.875%, 2/15/09	240,000	238
Union Pacific Corp., 7.375%, 9/15/09	240,000	271
Total Railroads, Line-Haul Operating		767
Real Estate Investment Trusts (0.2%)		
ERP Operating LP, 4.75%, 6/15/09	60,000	61
ERP Operating LP, 5.25%, 9/15/14	300,000	305
First Industrial LP, 5.25%, 6/15/09	50,000	51
Total Real Estate Investment Trusts		417
Retail-Retail Stores (0.7%)		
Fortune Brands, Inc., 4.875%, 12/1/13	350,000	355
Home Depot, Inc., 3.75%, 9/15/09 144A	600,000	595
Limited Brands, Inc., 6.95%, 3/1/33	125,000	136
VF Corp., 6.00%, 10/15/33	200,000	204
Total Retail-Retail Stores		1,290
Savings Institutions Except Federal (0.2%)		
U.S. Central Credit Union, 2.75%, 5/30/08	350,000	339
Total Savings Institutions Except Federal		339
Security Brokers and Dealers (0.6%)		
Credit Suisse First Boston USA, Inc., 4.70%, 6/1/09	190,000	194
Goldman Sachs Group, Inc., 5.15%, 1/15/14	350,000	355

	Shares/ \$ Par	Value \$ (000's)
Investment Grade Bonds (12.7%)		
Security Brokers and Dealers continued		
Merrill Lynch & Co., Inc., 5.00%, 1/15/15	300,000	299
Morgan Stanley, 5.30%, 3/1/13	325,000	335
Total Security Brokers and Dealers		1,183
Steel Wire and Related Products (0.2%)		
Hubbell, Inc., 6.375%, 5/15/12	300,000	327
Total Steel Wire and Related Products		327
Television Broadcasting Stations (0.1%)		
Clear Channel Communications, 5.50%, 12/15/16	255,000	251
Total Television Broadcasting Stations		251
Wines and Distilled Beverages (0.1%)		
Brown Forman Corp., 3.00%, 3/15/08	125,000	122
Total Wines and Distilled Beverages		122
Total Investment Grade Bonds (Cost: \$24,781)		
		24,872
Domestic and Foreign — Government and Agency Bonds (11.8%)		
Federal Government and Agencies (11.8%)		
BECCS, 0.00%, 11/15/11	500,000	470
Federal Home Loan Mortgage Corp., 4.50%, 5/1/19	306,500	306
Federal Home Loan Mortgage Corp., 5.00%, 11/1/19	498,195	506
Federal Home Loan Mortgage Corp., 5.50%, 9/1/19	95,752	99
Federal Home Loan Mortgage Corp., 5.50%, 8/1/34	1,496,810	1,522
Federal Home Loan Mortgage Corp., 6.50%, 5/1/34	106,696	112
Housing & Urban Development, 6.08%, 8/1/13	100,000	110
State of Israel, 7.25%, 12/15/28	350,000	394
Tennessee Valley Authority Stripped, 0.00%, 4/15/42	1,000,000	747
US Treasury, 2.25%, 4/30/06	7,525,000	7,463
US Treasury, 2.875%, 11/30/06	3,550,000	3,539
US Treasury, 3.00%, 11/15/07	1,890,000	1,878
US Treasury, 3.50%, 12/15/09	4,970,000	4,946
US Treasury, 4.25%, 11/15/14	980,000	983
US Treasury, 5.375%, 2/15/31	55,000	59
Total Domestic and Foreign — Government and Agency Bonds (Cost: \$23,207)		23,134

Asset Allocation Portfolio

Mortgage and Asset Backed Securities (2.8%)	Shares/ \$ Par	Value \$ (000's)	Below Investment Grade Bonds (7.2%)	Shares/ \$ Par	Value \$ (000's)
Federal Government and Agencies (2.7%)			Chemicals continued		
Federal National Mortgage Association, 5.00%, 3/1/34	398,204	396	Huntsman LLC, 11.625%, 10/15/10	50,000	59
Federal National Mortgage Association, 5.00%, 11/1/34	1,273,567	1,264	Huntsman LLC, 11.50%, 7/15/12 144A	75,000	89
Federal National Mortgage Association, 5.50%, 9/1/34	417,879	424	Invista, 9.25%, 5/1/12 144A	130,000	145
Federal National Mortgage Association, 5.50%, 10/1/34	797,243	810	(e)KI Holdings, Inc., 0.00%, 11/15/14 144A	150,000	96
Federal National Mortgage Association, 6.00%, 10/1/34	837,996	867	Rockwood Specialties Group, Inc., 10.265%, 5/15/11	100,000	115
Federal National Mortgage Association, 6.00%, 11/1/34	799,196	827	Terra Capital Corp., 11.50%, 6/1/10	64,000	73
Federal National Mortgage Association, TBA, 6.00%, 1/1/35	250,000	258	Total		883
Government National Mortgage Association, TBA, 4.50%, 1/1/35	585,726	571	Metals/Mining (0.1%)		
Total Federal Government and Agencies		5,417	Asia Aluminum Holdings, Ltd., 8.00%, 12/23/11 144A	37,000	37
International Affairs (0.1%)			IMCO Recycling Escrow, 9.00%, 11/15/14 144A	100,000	104
Overseas Private Investment, 4.10%, 11/15/14	125,040	125	Ispat Inland ULC, 9.75%, 4/1/14	17,000	21
Total International Affairs		125	Ryerson Tull, Inc., 8.25%, 12/15/11 144A	81,000	82
Total Mortgage and Asset Backed Securities (Cost: \$5,545)		5,542	Total		244
Below Investment Grade Bonds (7.2%)			Packaging/Containers (0.2%)		
Autos/Vehicle Parts (0.3%)			Anchor Glass Container, 11.00%, 2/15/13		
Affinia Group, Inc., 9.00%, 11/30/14 144A	55,000	57	(e)Consolidated Container, Co., 9.00%, 6/15/09	60,000	64
Collins & Aikman Products, 10.75%, 12/31/11	47,000	48	Graham Packaging Co., 9.875%, 10/15/14 144A	75,000	63
Cooper Tire & Rubber Co., 8.375%, 12/15/14 144A	115,000	114	Owens-Brockway Glass Containers, 6.75%, 12/1/14 144A	142,000	152
Delco Remy International, Inc., 9.375%, 4/15/12	63,000	65	Pliant Corp., 11.125%, 9/1/09	66,000	67
HLI Operating Co., 10.50%, 6/15/10	87,000	93	Total	111,000	121
The Pep Boys — Manny, Moe & Jack, 7.50%, 12/15/14	47,000	48	Total		467
(e)Standadyne Corp., 0.00%, 2/15/15 144A	160,000	95	Paper & Forest Products (0.2%)		
Tenneco Automotive, Inc., 8.625% 11/15/14 144A	65,000	68	Abitibi-Consolidated, Inc., 7.75%, 06/15/11	104,000	109
Visteon Corp., 7.00%, 3/10/14	86,000	82	Ainsworth Lumber Co., Ltd., 7.25%, 10/1/12 144A	88,000	90
Total Autos/Vehicle Parts		670	Appleton Papers, Inc., 8.125%, 6/15/11	57,000	61
Basic Materials (1.0%)			Appleton Papers, Inc., 9.75%, 6/15/14	50,000	55
Chemicals (0.5%)			Neenah Paper, Inc., 7.375%, 11/15/14 144A	47,000	48
BCP Caylux Holding, 9.625%, 6/15/14 144A	107,000	121	Total		363
Borden US Fin/Nova Scot, 9.00%, 7/15/14 144A	38,000	42	Total Basic Materials		
Crompton Corp., 9.875%, 8/1/12 144A	63,000	72			1,957
Huntsman International, LLC, 7.375%, 1/1/15 144A	71,000	71	Builders/Building Materials (0.3%)		
			Building Materials (0.2%)		
			Goodman Global Holdings, 7.875%, 12/15/12 144A		
				117,000	115
			Integrated Electrical Services, Inc., 9.375%, 2/1/09		
				40,000	38
			Ply Gem Industries, Inc., 9.00%, 2/15/12 144A		
				99,000	100
			RMCC Acquisition Co., 9.50%, 11/1/12 144A		
				58,000	58
			THL BuildCo, Inc., 8.50%, 9/1/14 144A		
				50,000	52
			Total		363

Asset Allocation Portfolio

	Shares/ \$ Par	Value \$ (000's)		Shares/ \$ Par	Value \$ (000's)
Below Investment Grade Bonds (7.2%)			Below Investment Grade Bonds (7.2%)		
Home Builders (0.1%)			Retail Stores (0.1%)		
Technical Olympic USA, Inc., 7.50%, 3/15/11	75,000	76	Blockbuster, Inc., 9.00%, 9/1/12 144A	105,000	104
Technical Olympic USA, Inc., 9.00%, 7/1/10	50,000	54	Finlay Fine Jewelry Corp., 8.375%, 6/1/12	88,000	95
William Lyon Homes, 7.50%, 2/15/14	75,000	72	Total		199
William Lyon Homes, 7.625%, 12/15/12 144A	32,000	31	Textile/Apparel (0.3%)		
Total		233	Levi Strauss & Co., 9.75%, 1/15/15 144A	102,000	101
Total Builders/Building Materials		596	Oxford Industries, Inc., 8.875%, 6/1/11	118,000	127
Capital Goods (0.5%)			Perry Ellis International, Inc., 8.875%, 9/15/13	50,000	53
Ames True Temper, Inc., 10.00%, 7/15/12	124,000	127	Phillips Van Heusen, 7.25%, 2/15/11	100,000	105
Amsted Industries, Inc., 10.25%, 10/15/11 144A	50,000	57	Propex Fabrics, Inc., 10.00%, 12/1/12 144A	116,000	120
Bombardier Recreational, 8.375%, 12/15/13	25,000	27	Total		506
Coleman Cable, Inc., 9.875%, 10/1/12 144A	70,000	74	Total Consumer Products/Retailing		2,060
Columbus McKinnon Corp., 10.00%, 8/1/10	50,000	56	Energy (0.2%)		
DA-Lite Screen Co., Inc., 9.50%, 5/15/11	120,000	133	Gas Pipelines/Oil Field Services (0.1%)		
Douglas Dynamics LLC, 7.75%, 1/15/12 144A	72,000	73	Hanover Equipment Trust 01 A, 0.00%, 3/31/07	50,000	44
ITRON, Inc., 7.75%, 5/15/12 144A	75,000	76	Parker Drilling Co., 9.625%, 10/1/13	75,000	84
Parker-Ohio Industries, Inc., 8.375%, 11/15/14 144A	94,000	94	Total		128
Rexnord Corp., 10.125%, 12/15/12	100,000	113	Oil & Gas Exploration/Production (0.1%)		
Sup Essx Com & Essx Group, 9.00%, 4/15/12	110,000	113	Chesapeake Energy Corp., 6.375%, 6/15/15 144A	58,000	60
Trimas Corp., 9.875%, 6/15/12	50,000	53	Harvest Operations Corp., 7.875%, 10/15/11 144A	29,000	29
Total Capital Goods		996	Stone Energy Corp., 6.75%, 12/15/14 144A	48,000	48
Consumer Products/Retailing (1.1%)			Venoco, Inc., 8.75%, 12/15/11 144A	75,000	77
Consumer Products (0.5%)			Total		214
American Achievement Corp., 8.25%, 4/1/12	75,000	78	Oil Refining & Marketing (0.0%)		
Amscan Holdings, Inc., 8.75%, 5/1/14	109,000	109	United Refining Co., 10.50%, 8/15/12 144A	75,000	79
Coinmach Corp., 9.00%, 2/1/10	86,000	90	Total		79
Hines Nurseries, Inc., 10.25%, 10/1/11	81,000	88	Total Energy		421
Jafra Cosmetics, 10.75%, 5/15/11	50,000	57	Financials (0.2%)		
Jostens IH Corp., 7.625%, 10/1/12 144A	52,000	54	Financials Services (0.1%)		
(e)Jostens Holding Corp., 10.25%, 12/1/13	75,000	53	Dollar Financial Group, 9.75%, 11/15/11	75,000	81
Playtex Products, Inc., 9.375%, 6/1/11	138,000	147	LaBranche and Co., 11.00%, 5/15/12	63,000	68
Samsonite Corp., 8.875%, 6/1/11	123,000	133	Refco Finance Holdings, 9.00%, 8/1/12 144A	100,000	110
Sealy Mattress Co., 8.25%, 6/15/14	76,000	81	Total		259
(e)Simmons Co., 0.00%, 12/15/14 144A	180,000	110	Insurance (0.1%)		
Total		1,000	Crum and Forster Holding Corp., 10.375%, 6/15/13	50,000	56
Retail Food & Drug (0.2%)					
Jean Coutu Group, Inc., 8.50%, 8/1/14 144A	123,000	126			
Rite Aid Corp., 9.25%, 6/1/13	114,000	115			
Stater Brothers Holdings, 8.125%, 6/15/12	108,000	114			
Total		355			

Asset Allocation Portfolio

Below Investment Grade Bonds (7.2%)	Shares/ \$ Par	Value \$ (000's)
Insurance continued		
Fairfax Financial Holdings, 7.75%, 4/26/12	115,000	117
Total		<u>173</u>
Total Financials		<u>432</u>
<u>Foods (0.4%)</u>		
Food/Beverage/Tobacco (0.3%)		
B&G Foods, Inc., 8.00%, 10/1/11	58,000	62
Chiquita Brands International, 7.50%, 11/1/14 144A	39,000	39
Gold Kist, Inc., 10.25%, 3/15/14	39,000	46
Land O Lakes, Inc., 9.00%, 12/15/10	92,000	101
Merisant Co., 9.50%, 7/15/13 144A	75,000	67
North Atlantic Trading, 9.25%, 3/1/12	100,000	85
Pinnacle Foods Holding, 8.25%, 12/1/13 144A	65,000	62
Standard Commercial Corp., 8.00%, 4/15/12	92,000	95
(e)Tabletop Holdings, 12.25%, 5/15/14 144A	125,000	53
Total		<u>610</u>
Restaurants (0.1%)		
Buffets, Inc., 11.25%, 7/15/10	118,000	125
Total		<u>125</u>
Total Foods		<u>735</u>
<u>Gaming/Leisure/Lodging (0.7%)</u>		
Gaming (0.4%)		
American Casino & Entertainment, 7.85%, 2/1/12	50,000	53
Herbst Gaming, Inc., 7.00%, 11/15/14 144A	30,000	30
(d)Hollywood Casino Shreveport, 13.00%, 8/1/06	50,000	42
Inn of the Mountain Gods, 12.00%, 11/15/10	68,000	80
Majestic Star Casino LLC, 9.50%, 10/15/10	129,000	137
Resort Intl. Hotel/Casino, 11.50%, 3/15/09	75,000	88
River Rock Entertainment, 9.75%, 11/1/11	75,000	84
Wheeling Island Gaming, 10.125%, 12/15/09	75,000	80
Wynn Las Vegas LLC/Corp., 6.625%, 12/1/14 144A	187,000	185
Total		<u>779</u>
Leisure (0.3%)		
AMC Entertainment, Inc., 9.875%, 2/1/12	117,000	128
Intrawest Corp., 7.50%, 10/15/13 144A	53,000	56
LCE Acquisition Corp., 9.00%, 8/1/14 144A	125,000	135
Universal City Development Corp., 11.75%, 4/1/10	88,000	104

Below Investment Grade Bonds (7.2%)	Shares/ \$ Par	Value \$ (000's)
Leisure continued		
Universal City Florida, 8.375%, 5/1/10 144A	48,000	50
WMG Holdings Corp., 6.905%, 12/15/11 144A	77,000	78
Total		<u>551</u>
Total Gaming/Leisure/Lodging		<u>1,330</u>
Health Care/Pharmaceuticals (0.5%)		
Alliance Imaging, Inc., 7.25%, 12/15/12 144A	78,000	79
General Nutrition Center, 8.50%, 12/1/10	150,000	142
Iasis Healthcare Corp., 8.75%, 6/15/14	104,000	113
Medcath Holdings Corp., 9.875%, 7/15/12	87,000	94
Omega Healthcare Investors, 7.00%, 4/1/14	50,000	51
Tenet Healthcare Corp., 9.875%, 7/1/14 144A	101,000	110
Universal Hospital Service, 10.125%, 11/1/11	50,000	52
US Oncology, Inc., 9.00%, 8/15/12 144A	99,000	111
Vanguard Health Holding II, 9.00%, 10/1/14 144A	145,000	156
Ventas Realty LP, 9.00%, 5/1/12	50,000	58
Total Health Care/Pharmaceuticals		<u>966</u>
<u>Media 0.5%</u>		
Broadcasting (0.0%)		
Sinclair Broadcast Group, 8.00%, 3/15/12	57,000	61
Total		<u>61</u>
Cable/Satellite (0.4%)		
Cablevision Systems Corp., 8.00%, 4/15/12 144A	125,000	134
Echostar DBS Corp., 6.625%, 10/1/14 144A	100,000	101
Insight Midwest, 9.75%, 10/1/09	50,000	52
Kabel Deutschland GMBH, 10.625%, 7/1/14 144A	100,000	115
MediaCom LLC, 9.50%, 1/15/13	75,000	75
NTL Cable PLC, 8.75%, 4/15/14 144A	50,000	56
Panamsat Corp., 9.00%, 8/15/14 144A	83,000	93
(e)Panamsat Holding Corp., 0.00%, 11/1/14 144A	58,000	40
Rogers Cable, Inc., 6.25%, 6/15/13	52,000	52
Rogers Cable, Inc., 6.75%, 3/15/15 144A	70,000	72
Total		<u>790</u>

Asset Allocation Portfolio

Below Investment Grade Bonds (7.2%)	Shares/ \$ Par	Value \$ (000's)	Below Investment Grade Bonds (7.2%)	Shares/ \$ Par	Value \$ (000's)
Publishing (0.1%)			Telecommunications-Wireline (continued)		
Dex Media, Inc., 8.00%, 11/15/13	50,000	54	Qwest Communications International, 7.25%, 2/15/11 144A	75,000	77
WDAC Subsidiary Corp., 8.375%, 12/1/14 144A	70,000	69	Qwest Corp., 7.875%, 9/1/11 144A	80,000	87
Total		123	Qwest Services Corp., Inc., 13.50%, 12/15/10 144A	48,000	58
Total Media		974	Securus Technologies, Inc., 11.00%, 9/1/11 144A	63,000	63
Services (0.2%)			Total		762
Environmental Services (0.1%)			Total Telecommunications		1,368
Allied Waste North America, 7.375%, 4/15/14	162,000	155	Transportation (0.2%)		
Total		155	Horizon Lines LLC, 9.00%, 11/1/12 144A	55,000	59
Services-Other (0.1%)			Laidlaw International, Inc., 10.75%, 6/15/11	28,000	33
Alderwoods Group, Inc., 7.75%, 9/15/12 144A	41,000	44	OMI Corp., 7.625%, 12/1/13	75,000	80
Buhrmann U.S., Inc., 8.25%, 7/1/14	63,000	64	Ship Finance International, Ltd., 8.50%, 12/15/13	100,000	103
Petro Stopping Center, 9.00%, 2/15/12	75,000	79	Stena AB, 7.50%, 11/1/13	50,000	52
United Rentals NA, Inc., 6.50%, 2/15/12	122,000	119	Stena AB, 9.625%, 12/1/12	50,000	57
Total		306	TFM SA DE C V, 12.50%, 6/15/12	50,000	58
Total Services		461	Total Transportation		442
Technology (0.1%)			Utilities (0.2%)		
Amkor Technologies, Inc., 7.125%, 3/15/11	100,000	94	Aquila, Inc., 9.95%, 2/1/11	70,000	79
Magnachip Semiconductor, 8.00%, 12/15/14 144A	69,000	72	Midwest Generation LLC, 8.75%, 5/1/34	60,000	68
Stats Chippac, Inc., 6.75%, 11/15/11 144A	88,000	87	NRG Energy, Inc., 8.00%, 12/15/13 144A	25,000	27
Xerox Corp., 7.20%, 4/1/16	47,000	50	Reliant Energy, Inc., 6.75%, 12/15/14	52,000	52
Total Technology		303	Sierra Pacific Resources, 8.625%, 3/15/14	75,000	85
Telecommunications (0.7%)			Utilicorp Canada Finance, 7.75%, 6/15/11	58,000	60
Telecommunications — Wireless (0.3%)			Total Utilities		371
Alamosa Delaware, Inc., 8.50%, 1/31/12	50,000	55	Total Below Investment Grade Bonds (Cost: \$13,502)		14,082
Centennial Communications, 8.125%, 2/1/14	133,000	137	Money Market Investments (12.2%)		
(e)IWO Escrow Co., 0.00%, 1/15/15 144A	57,000	35	Federal Government and Agencies (11.8%)		
Nextel Communications, 6.875%, 10/31/13	50,000	54	(b)Federal Home Loan Bank, 2.24%, 1/26/05	21,800,000	21,766
Rogers Wireless, Inc., 6.375%, 3/1/14	62,000	61	Federal Home Loan Mortgage Co., 2.42%, 3/22/05	1,500,000	1,492
Rogers Wireless, Inc., 7.25%, 12/15/12 144A	48,000	51	Total Federal Government and Agencies		23,258
Rogers Wireless, Inc., 8.00%, 12/15/12 144A	29,000	31			
SBA Communications Corp., 8.50%, 12/1/12 144A	82,000	84			
US Unwired, Inc., 10.00%, 6/15/12	87,000	98			
Total		606			
Telecommunications-Wireline (0.4%)					
(e)AT&T Corp., 9.75%, 11/15/31	116,000	137			
Citizens Communications, 9.00%, 8/15/31	116,000	133			
MCI, Inc., 7.735%, 5/1/14	170,000	182			
Qwest Communications International, 7.50%, 11/1/08	25,000	25			

Asset Allocation Portfolio

	Shares/ \$ Par	Value \$ (000's)
Money Market Investments (12.2%)		
Personal Credit Institutions (0.4%)		
CXC, Inc., 2.20%, 1/3/05	800,000	800
Total Personal Credit Institutions		800
Total Money Market Investments (Cost: \$24,058)		24,058
Total Investments (99.9%) (Cost \$174,381)(a)		196,400
Other Assets, Less Liabilities (0.1%)		168
Total Net Assets (100.0%)		196,568

* Non-Income Producing

ADR — American Depository Receipt
RB — Revenue Bond

144A after the name of a security represents a security exempt from registration under Rule 144A of the securities Act of 1933. These securities may be resold as transactions exempt from registration, normally to qualified institutional buyers. At December 31, 2004, the value of these securities was 8,939, representing 4.55% of net assets.

(a) At December 31, 2004 the aggregate cost of securities for federal tax purposes (in thousands) was \$174,760 and the net unrealized appreciation of investments based on that cost was \$21,640 which is comprised of \$22,884 aggregate gross unrealized appreciation and \$1,244 aggregate gross unrealized depreciation.

(b) All or a portion of the securities have been committed as collateral for open futures positions or when-issued securities. Information regarding open futures contracts as of period end is summarized below.

Issuer (000's)	Number of Contracts	Expiration Date	Unrealized Appreciation/ Depreciation (000's)
S&P 500 Index Futures (Total Notional Value at December 31, 2004, \$15,047)	51	3/05	\$428
US Ten Year Treasury Note (Total Notional Value at December 31, 2004, \$225)	2	3/05	\$ 1

(d) Defaulted Security

(e) Step bond security that presently receives no coupon payments. At the predetermined date, the stated coupon rate becomes effective.

The Accompanying Notes are an Integral Part of the Financial Statements

Balanced Portfolio

Objective:

A high level of current income and capital growth with a low risk profile

Portfolio Strategy:

Achieve consistent returns and low volatility by diversifying among assets.

Net Assets:

\$3.0 billion

The investment objective of the Balanced Portfolio is to realize as high a level of long-term total rate of return as is consistent with prudent investment risk. The Portfolio's total rate of return consists of current income, including dividends, interest and discount accruals, and capital appreciation. The assets of the Balanced Portfolio will be invested in the following three market sectors: common stock and other equity securities including the securities in which the Index 500 Stock Portfolio invests; bonds and other debt securities with maturities generally exceeding one year, including the securities in which the Select Bond Portfolio invests; and money market instruments and other debt securities with maturities generally not exceeding one year including the securities in which the Money Market Portfolio invests. The Balanced Portfolio seeks to achieve its investment objectives by adjusting the mix of investments among the three market sectors. The manager attempts to capitalize on variation in return potential produced by the interaction of changing financial markets and economic conditions.

The Balanced Portfolio differs from the Asset Allocation Portfolio in several ways. It invests in just three asset classes, while the Asset Allocation Portfolio utilizes six categories of assets, including riskier securities such as small-cap stocks, foreign stocks and high yield bonds. The equity portion of the Balanced Portfolio is indexed, while the equities in the Asset Allocation Portfolio are actively managed. The Balanced Portfolio is therefore designed to be a lower risk portfolio, with less volatility than the Asset Allocation Portfolio. In a market in which riskier investments are rewarded, the Balanced Portfolio will normally underperform the Asset Allocation Portfolio. The fact that the Balanced Portfolio cannot own small cap or international stocks had a negative influence on performance in 2004, a year in which those asset classes outperformed the broad stock market.

Definition of an appropriate benchmark for comparison of returns of the Balanced Portfolio is difficult because there is no index that includes both equity and debt securities. Accordingly, comparisons are provided with three different indices: the S&P 500 Index for stocks, Merrill Lynch Domestic Master Index for bonds, and the Merrill Lynch Three-Month U.S. Treasury Bill Index for short-term investments. As expected, the Balanced Portfolio's performance for the year ended December 31, 2004 was a blend of stock and bond performance. The Portfolio had a total return of 7.89%, below the return of 10.88% on the S&P 500, but above the return of the bond benchmark, the Merrill Lynch Domestic Master Index, which had a return of 4.34%, and the Merrill Lynch Three-Month U.S. Treasury Bill Index, which had a return of 1.33%. (These indices are unmanaged, cannot be invested in directly, and do not include administrative expenses or sales charges.) The Portfolio underperformed its peer group, Flexible Portfolio Funds, which had an average return of 8.25% for the same period, according to Lipper

Analytical Services, Inc. ("Lipper"), an independent mutual fund ranking agency. The Portfolio's slight underperformance relative to its peer group resulted mainly from its inability to own riskier assets — particularly small cap and foreign stocks and high yield bonds — as they moved up sharply during the fourth quarter of 2004. The Portfolio was above the peer group performance for the first nine months of the year, and then slipped in the last quarter as the riskiest, highest beta assets outperformed.

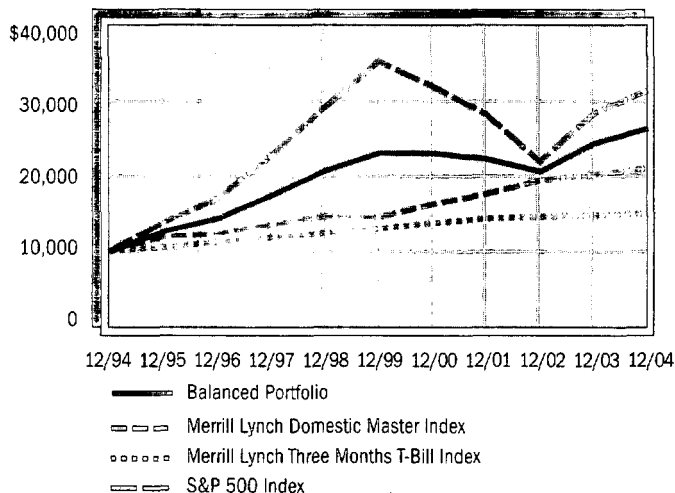
In general, stocks performed nicely for the year ended December 31, 2004. The S&P 500 Index posted a gain of 10.88%, while the higher risk segments of the market posted even larger gains. Small cap stocks, as measured by the S&P SmallCap 600 Index, gained 22.65%, and mid cap stocks, as measured by the S&P MidCap 400 Index, gained 16.49% for the year. The majority of the gains across all sectors came in the fourth quarter of 2004. Earlier in the year the stock market languished, as a number of economic concerns dampened investors' spirits. A combination of rising oil prices, a weakening dollar, rising interest rates, the Iraqi war, and the upcoming presidential election put a drag on the economy and the market. But in the fourth quarter, especially following the November elections, the market experienced a dramatic turnaround. A significant drop in oil prices beginning in October also served as a catalyst for the change, and the gains made during the fourth quarter accounted for most of the gain for the year. The fourth quarter alone accounted for 9.23% of the S&P 500 Index's 2004 annual gain of 10.88%.

Bonds also posted positive returns for the year and added to the Balanced Portfolio's performance. The Merrill Lynch Domestic Master Index had a return of 4.34% for the year, although the higher risk segments of the bond market — as in the stock market — posted much higher returns. High yield bonds, as measured by the Lehman Intermediate High Yield Index, gained 10.85% in 2004.

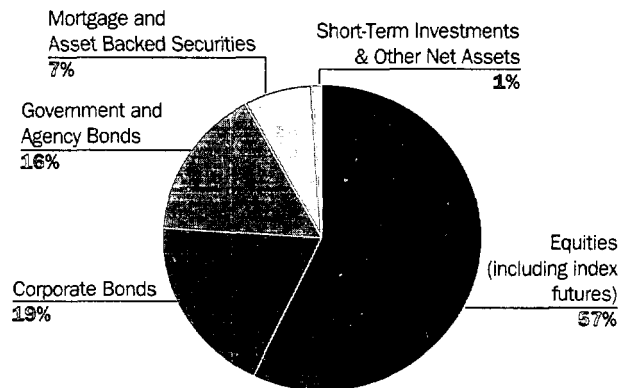
The target asset mix for the Balanced Portfolio is established and adjusted with input from an asset valuation model designed to gauge the relative attractiveness of stocks versus bonds. Changes are at the margin, so that there are always core positions in both asset classes. During 2004, the asset mix was changed several times to take advantage of market moves. Equities were reduced in the first quarter of 2004, and remained at an average to below average weighting through the third quarter, as stocks languished. Heading into the fourth quarter of 2004, the stock weighting was increased and the Portfolio was in a good position to take advantage of the fourth quarter rally. At year end, the Portfolio's stock exposure was at an above neutral weighting of approximately 57% as the rally subsided, and investment grade bonds made up 42% of the Portfolio.

Balanced Portfolio

Relative Performance



Sector Allocation 12/31/04



*Sector allocation is based on Net Assets.
Sector allocation is subject to change.*

**Average Annual Total Return
For Periods Ended December 31, 2004**

	1 Year	5 years	10 years
Balanced Portfolio	7.89%	2.62%	10.12%
Merrill Lynch Domestic Master Index	4.34%	7.74%	7.74%
Merrill Lynch Three Months T-Bill Index	1.33%	2.95%	4.14%
S&P 500 Index	10.88%	-2.30%	12.07%
Flexible Portfolio Funds Lipper Average	8.25%	3.44%	10.16%

No investment strategy can guarantee a profit or protect against a loss.

The performance data quoted represents past performance. Past performance is historical and does not guarantee future performance. Investment return and principal value will fluctuate, so that 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. For the most recent month-end performance information, visit www.nmfn.com.

This chart assumes an initial investment of \$10,000 made on 12/31/94. Returns shown include deductions for management and other portfolio expenses, and reinvestment of all dividends. Returns exclude deductions for separate account sales loads and account fees. Total returns, which reflect deduction of charges for the separate account are shown beginning on page iv of the Performance Summary of the Separate Account report.

In the graph, the Portfolio is compared against three indices representing the three major components of the Portfolio: equities, fixed income and cash equivalent investments. The indices cannot be invested in directly and do not include sales charges.

The Merrill Lynch Domestic Master Index is an unmanaged market value weighted index comprised of U.S. Government, mortgage and investment-grade corporate bonds. The Index measures the income provided by, and the price changes of, the underlying securities.

The Merrill Lynch Three Months T-Bill Index is comprised of a single issue purchased at the beginning of each month and held for a full month. The issue selected at each month-end rebalancing is the outstanding Treasury bill that matures closest to, but not beyond, three months from the rebalancing date.

The Standard & Poor's 500 Composite Stock Price Index is an unmanaged index of 500 selected common stocks, most of which are listed on the New York Stock Exchange. As of December 31, 2004, the 500 companies in the composite had a median market capitalization of \$10.6 billion and a total market value of \$11.2 trillion. The S&P 500 represents approximately 80.2% of the market value of the Compustat's database of about 9,381 equities. The index cannot be invested in directly and does not include sales charges.

The Lipper Variable Insurance Products (VIP) Flexible Portfolio Funds Average is calculated by Lipper Analytical Services, Inc. and reflects the average investment return of portfolios underlying variable life and annuity products. The category consists of Funds that allocate investments across various asset classes, including domestic common stocks, bonds, and money market instruments with a focus on total return. Source: Lipper, Inc.

Expense Example

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management 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 period and held for the entire period (July 1, 2004 to December 31, 2004).

Actual Expenses

The first 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 first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second 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 transactional costs. Therefore, the second 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 transactional costs were included, your costs would have been higher.

	Beginning Account Value July 1, 2004	Ending Account Value December 31, 2004	Expenses Paid During Period July 1, 2004 to December 31, 2004*
Actual	\$1,000.00	\$1,060.00	\$1.55
Hypothetical (5% return before expenses)	\$1,000.00	\$1,023.32	\$1.53

* Expenses are equal to the Fund's annualized expense ratio of 0.30%, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period).

Balanced Portfolio

Northwestern Mutual Series Fund, Inc.

Schedule of Investments

December 31, 2004

Revenue Bonds (0.1%)	Shares/ \$ Par	Value \$ (000's)	Corporate Bonds (18.8%)	Shares/ \$ Par	Value \$ (000's)
Revenue Bonds (0.1%)			Corporate Bonds (18.8%)		
Municipal Bonds - Revenue (0.1%)			Cable and Other Pay Television Services (0.2%)		
Nashville & Davidson County,			Comcast Corp., 5.30%, 1/15/14	3,750,000	3,867
Tennessee Health and Educational			Time Warner Entertainment Co.,		
Facilities Board of The Metropolitan			8.375%, 7/15/33	1,250,000	1,615
Government, 0.00%, 6/1/21, RB	9,800,000	4,469	Total		5,482
Total Revenue Bonds		4,469	Chemicals and Allied Products (0.1%)		
(Cost: \$4,277)			Monsanto Co., 4.00%, 5/15/08	4,240,000	4,254
Corporate Bonds (18.8%)			Total		4,254
Auto Related (1.5%)			Commercial Banks (3.3%)		
American Honda Finance,			Bank of America Corp.,		
4.50%, 5/26/09 144A	6,180,000	6,287	5.375%, 6/15/14	4,550,000	4,748
Ford Motor Credit Co.,			Bank of America Corp.,		
5.70%, 1/15/10	2,265,000	2,286	7.40%, 1/15/11	2,668,000	3,091
Ford Motor Credit Co.,			Bank of America Corp.,		
7.375%, 10/28/09	3,485,000	3,759	7.875%, 5/16/05	2,800,000	2,852
General Motors Acceptance Corp.,			Bank One Corp., 5.25%, 1/30/13	5,000,000	5,135
5.625%, 5/15/09	4,500,000	4,500	BP Capital Markets PLC,		
General Motors Acceptance Corp.,			4.00%, 4/29/05	4,500,000	4,520
6.75%, 12/1/14	2,420,000	2,423	Citigroup, Inc., 1.39%, 2/14/05	5,500,000	5,500
Household Finance Corp.,			Citigroup, Inc., 4.50%, 7/29/09	5,200,000	5,255
4.125%, 11/16/09	4,400,000	4,376	First Union Corp., 7.55%, 8/18/05	2,800,000	2,880
Household Finance Corp.,			HBOS Treasury Services PLC,		
6.50%, 1/24/06	7,108,000	7,348	1.52%, 3/14/05	4,500,000	4,500
Toyota Motor Credit Corp.,			HBOS Treasury Services PLC,		
2.70%, 1/30/07	3,800,000	3,746	4.00%, 9/15/09 144A	5,100,000	5,085
Toyota Motor Credit Corp.,			Key Bank NA, 5.80%, 7/1/14	5,630,000	5,963
5.65%, 1/15/07	9,750,000	10,167	PNC Bank NA, 5.25%, 1/15/17	8,475,000	8,548
Total		44,892	Rabobank Capital Fund II,		
Automobiles And Other Motor Vehicles (0.2%)			5.26%, 12/31/13 144A	3,730,000	3,795
Ford Motor Co., 7.45%, 7/16/31	1,480,000	1,488	Royal Bank of Canada New York,		
General Motors Corp.,			2.3425%, 1/24/05	5,500,000	5,500
8.375%, 7/15/33	3,535,000	3,663	Royal Bank of Scotland Group PLC,		
Total		5,151	5.05%, 1/8/15	7,980,000	8,066
Beverages, Malt Beverages (1.0%)			UnionBanCal Corp., 5.25%, 12/16/13	800,000	811
Anheuser-Busch Companies, Inc.,			US Bank NA, 4.95%, 10/30/14	4,725,000	4,742
7.00%, 12/1/25	4,800,000	5,086	Wachovia Bank NA, 4.80%, 11/1/14	2,675,000	2,658
Anheuser-Busch Companies, Inc.,			Wells Fargo & Co., 4.20%, 1/15/10	7,500,000	7,530
7.50%, 3/15/12	910,000	1,082	Wells Fargo Bank, 6.20%, 12/1/05	4,100,000	4,201
Coca-Cola Enterprises, Inc.,			Wells Fargo Bank, 6.45%, 2/1/11	4,850,000	5,394
5.25%, 5/15/07	8,975,000	9,330	Total		100,774
Coca-Cola Enterprises, Inc.,			Computer and Other Data Processing Service (0.3%)		
5.375%, 8/15/06	4,175,000	4,307	Gtech Holdings Corp.,		
Coca-Cola Enterprises, Inc.,			4.75%, 10/15/10	8,350,000	8,382
5.75%, 3/15/11	10,000,000	10,805	Total		8,382
Total		30,610	Consumer Non-Cyclical (0.6%)		
Broad Woven Fabric Mills, Manmade (0.0%)			The Clorox Co., 4.20%, 1/15/10 144A	4,240,000	4,262
(d)Polysindo International Finance,			The Clorox Co., 5.00%, 1/15/15 144A	2,660,000	2,706
11.375%, 6/15/06	6,500,000	585	Estee Lauder, Inc., 5.75%, 10/15/33	2,580,000	2,653
Total		585	The Gillette Co., 2.50%, 6/1/08	5,000,000	4,860
			Johnson & Johnson, Inc.,		
			6.625%, 9/1/09	2,800,000	3,117
			Total		17,598

Balanced Portfolio

	Shares/ \$ Par	Value \$ (000's)
Corporate Bonds (18.8%)		
Crude Petroleum and Natural Gas (0.7%)		
Conoco Funding Co., 6.35%, 10/15/11	5,000,000	5,582
Occidental Petroleum, 4.00%, 11/30/07	2,800,000	2,818
Occidental Petroleum, 7.65%, 2/15/06	4,360,000	4,564
Occidental Petroleum, 8.45%, 2/15/29	1,900,000	2,574
Occidental Petroleum, 10.125%, 9/15/09	3,230,000	3,987
XTO Energy Inc., 5.00%, 1/31/15 144A	2,500,000	2,484
Total		<u>22,009</u>
Data Processing and Preparation (0.3%)		
First Data Corp., 3.90%, 10/1/09	8,400,000	8,368
Total		<u>8,368</u>
Eating Places (0.2%)		
McDonald's Corp., 3.875%, 8/15/07	2,900,000	2,910
McDonald's Corp., 5.375%, 4/30/07	2,250,000	2,345
Total		<u>5,255</u>
Electric Services (1.6%)		
FPL Group Capital, Inc., 4.086%, 2/16/07	4,390,000	4,437
Indiana Michigan Power, 5.05%, 11/15/14	3,660,000	3,658
Kiowa Power Partners LLC, 4.811%, 12/30/13 144A	1,685,000	1,689
Kiowa Power Partners LLC, 5.737%, 3/30/21 144A	4,785,000	4,804
Oncor Electric Delivery, 6.375%, 1/15/15	800,000	881
PacifiCorp, 5.45%, 9/15/13	15,540,000	16,264
Peco Energy Co., 4.75%, 10/1/12	7,925,000	8,003
PPL Electric Utilities Corp., 4.30%, 6/1/13	4,775,000	4,609
Public Service Electric & Gas Corp., 5.00%, 1/1/13	1,500,000	1,531
Virginia Electric & Power Co., 5.25%, 12/15/15	3,645,000	3,707
Total		<u>49,583</u>
Electrical and Electronic Machinery, Equip (0.3%)		
General Electric Co., 5.00%, 2/1/13	7,875,000	8,079
Total		<u>8,079</u>
Electrical Equipment and Supplies (0.2%)		
Cooper Industries, Inc., 5.50%, 11/1/09	5,100,000	5,395
Total		<u>5,395</u>
Electronic Computers (0.4%)		
Hewlett-Packard Co., 5.50%, 7/1/07	6,000,000	6,258
Hewlett-Packard Co., 6.50%, 7/1/12	4,800,000	5,375
Total		<u>11,633</u>
Federal Savings Institutions (0.3%)		
World Savings Bank FSB, 4.125%, 12/15/09	7,700,000	7,701
Total		<u>7,701</u>

	Shares/ \$ Par	Value \$ (000's)
Corporate Bonds (18.8%)		
Fire, Marine and Casualty Insurance (0.8%)		
Berkley (WR) Corp., 9.875%, 5/15/08	4,310,000	5,067
Berkshire Hathaway, Inc., 4.625%, 10/15/13	9,020,000	8,992
Berkshire Hathaway, Inc., 5.10%, 7/15/14 144A	1,300,000	1,332
Berkshire Hathaway, Inc., 3.40%, 7/2/07 144A	2,500,000	2,494
Progressive Corp., 6.375%, 1/15/12	4,540,000	5,011
Total		<u>22,896</u>
Gas Transmission And Distribution (0.1%)		
Consolidated Natural Gas Co., 5.00%, 12/1/14	3,585,000	3,588
Total		<u>3,588</u>
Media (0.6%)		
Time Warner, Inc., 6.875%, 5/1/12	2,500,000	2,847
Viacom, Inc., 5.625%, 5/1/07	11,400,000	11,919
Viacom, Inc., 5.625%, 8/15/12	2,500,000	2,674
Total		<u>17,440</u>
Motors and Generators (0.3%)		
Emerson Electric Co., 4.50%, 5/1/13	1,570,000	1,556
Emerson Electric Co., 5.75%, 11/1/11	1,918,000	2,079
Emerson Electric Co., 5.85%, 3/15/09	4,480,000	4,805
Total		<u>8,440</u>
Personal Credit Institutions (0.3%)		
SLM Corp., 4.00%, 1/15/10	5,560,000	5,517
USAA Capital Corp., 7.54%, 3/30/05	3,400,000	3,437
Total		<u>8,954</u>
Petroleum Refining (0.2%)		
Amerada Hess Corp., 7.125%, 3/15/33	2,500,000	2,749
Valero Energy Corp., 4.75%, 6/15/13	2,500,000	2,470
Total		<u>5,219</u>
Pharmaceutical Preparations (1.2%)		
Abbott Laboratories, 3.75%, 3/15/11	3,750,000	3,675
Astrazeneca PLC, 5.40%, 6/1/14	5,350,000	5,625
GlaxoSmithKline Capital, Inc., 4.375%, 4/15/14	5,355,000	5,217
Merck & Co. Inc., 4.125%, 1/18/05	4,500,000	4,503
Merck & Co., Inc., 6.40%, 3/1/28	1,475,000	1,607
Merck & Co., Inc. 5.95%, 12/1/28	1,794,000	1,857
Pfizer, Inc., 4.50%, 2/15/14	2,680,000	2,650
Pfizer, Inc., 5.625%, 2/1/06	7,175,000	7,368
Pfizer, Inc., 5.625%, 4/15/09	4,125,000	4,385
Total		<u>36,887</u>
Phone Communications Except Radiophone (0.8%)		
BellSouth Corp., 5.20%, 9/15/14	5,010,000	5,106
SBC Communications, Inc., 5.10%, 9/15/14	5,500,000	5,551
Sprint Capital Corp., 8.375%, 3/15/12	5,000,000	6,092
Telecom Italia Capital, 4.95%, 9/30/14 144A	2,200,000	2,155
Verizon Global Funding Corp., 4.375%, 6/1/13	5,000,000	4,872
Total		<u>23,776</u>

Balanced Portfolio

Corporate Bonds (18.8%)	Shares/ \$ Par	Value \$ (000's)
Radio,TV Electronic Stores (0.4%)		
RadioShack Corp., 7.375%, 5/15/11	9,590,000	10,900
Total		10,900
Railroads, Line-Haul Operating (0.6%)		
Burlington Northern Santa Fe, 6.125%, 3/15/09	5,600,000	6,019
Union Pacific Corp., 3.875%, 2/15/09	5,600,000	5,560
Union Pacific Corp., 7.375%, 9/15/09	5,600,000	6,324
Total		17,903
Real Estate Investment Trusts (0.3%)		
ERP Operating LP, 4.75%, 6/15/09	1,870,000	1,909
ERP Operating LP, 5.25%, 9/15/14	5,000,000	5,064
First Industrial LP, 5.25%, 6/15/09	1,925,000	1,979
Total		8,952
Retail-Retail Stores (0.8%)		
Fortune Brands, Inc., 4.875%, 12/1/13	2,070,000	2,101
Home Depot, Inc., 3.75%, 9/15/09 144A	14,000,000	13,874
Limited Brands, Inc., 6.95%, 3/1/33	4,118,000	4,480
VF Corp., 6.00%, 10/15/33	4,450,000	4,542
Total		24,997
Savings Institutions Except Federal (0.1%)		
U.S. Central Credit Union, 2.75%, 5/30/08	3,950,000	3,823
Total		3,823
Security Brokers and Dealers (0.8%)		
Credit Suisse First Boston USA, Inc., 4.70%, 6/1/09	5,900,000	6,037
Goldman Sachs Group, Inc., 5.15%, 1/15/14	6,800,000	6,891
Merrill Lynch & Co., Inc., 5.00%, 1/15/15	6,700,000	6,674
Morgan Stanley, 5.30%, 3/1/13	4,000,000	4,119
Total		23,721
Television Broadcasting Stations (0.2%)		
Clear Channel Communications, 5.50%, 12/15/16	5,560,000	5,480
Total		5,480
Wines and Distilled Beverages (0.1%)		
Brown Forman Corp., 3.00%, 3/15/08	2,500,000	2,445
Total		2,445
Total Corporate Bonds (Cost: \$561,536)		561,172

Government and Agency Bonds (15.8%)

Federal Government & Agencies (15.8%)	Shares/ \$ Par	Value \$ (000's)
Aid-Israel, 0.00%, 11/15/22	11,600,000	4,493
Aid-Israel, 0.00%, 11/15/23	11,500,000	4,208
Aid-Israel, 5.50%, 3/18/33	9,725,000	10,210
BECCS, 0.00%, 11/15/11	8,400,000	7,896

Government and Agency Bonds (15.8%)

Federal Government & Agencies continued	Shares/ \$ Par	Value \$ (000's)
Federal Home Loan Bank, 1.58%, 5/20/05	7,900,000	7,873
Federal Home Loan Bank, 1.875%, 1/15/05	4,500,000	4,499
Federal Home Loan Bank, 5.54%, 1/8/09	5,000,000	5,341
Federal Home Loan Bank, 7.125%, 2/15/05	4,500,000	4,523
Federal Home Loan Mortgage Corp., 5.00%, 10/1/19	4,475,641	4,548
Federal Home Loan Mortgage Corp., 6.50%, 5/1/34	4,268,133	4,480
Federal Home Loan Mortgage Corp., 4.50%, 5/1/19	4,290,994	4,279
Federal Home Loan Mortgage Corp., 5.50%, 9/1/19	1,962,921	2,029
Federal Home Loan Mortgage Corp., 6.50%, 4/1/11	1,714,980	1,818
Federal Home Loan Mortgage Corp., 7.50%, 10/1/27	960,748	1,032
Housing & Urban Development, 6.17%, 8/1/14	14,981,000	16,651
State of Israel, 7.25%, 12/15/28	5,200,000	5,859
Tennessee Valley Authority Stripped, 0.00%, 4/15/42	6,100,000	4,559
US Treasury, 2.25%, 4/30/06	109,000,000	108,098
(f)US Treasury, 2.50%, 10/31/06	77,069,000	76,349
(f)US Treasury, 2.875%, 11/30/06	76,100,000	75,862
(f)US Treasury, 3.00%, 11/15/07	36,200,000	35,977
US Treasury, 3.50%, 12/15/09	46,300,000	46,076
(f)US Treasury, 4.25%, 11/15/14	16,510,000	16,553
US Treasury, 5.375%, 2/15/31	15,525,000	16,788
Total		470,001

Total Government and Agency Bonds (Cost: \$466,310)

470,001

Mortgage and Asset Backed Securities (6.9%)

Boat Dealers (0.0%)	Shares/ \$ Par	Value \$ (000's)
Nationscredit Grantor Trust, Series 1997-2, Class A1, 6.35%, 4/15/14	174,901	175
Total		175

Commercial Mortgages (2.2%)

Asset Securitization Corp., Series 1997-D5, Class PS1, 1.62%, 2/14/43 IO	Shares/ \$ Par	Value \$ (000's)
	19,170,381	1,004
Chase Commercial Mortgage Securities Corp., Series 1997-2, Class A2, 6.60%, 11/19/07	6,921,465	7,355

Balanced Portfolio

Mortgage and Asset Backed Securities (6.9%)	Shares/ \$ Par	Value \$ (000's)	Mortgage and Asset Backed Securities (6.9%)	Shares/ \$ Par	Value \$ (000's)
Commercial Mortgages continued			Federal Government & Agencies continued		
Chase Commercial Mortgage Securities Corp., Series 1997-2, Class B, 6.60%, 11/19/07	2,500,000	2,686	Federal National Mortgage Association, 6.315%, 3/1/06	4,731,754	4,823
Commercial Mortgage Acceptance Corp., Series 1997-ML1, Class B, 6.64%, 12/15/30	2,500,000	2,683	Federal National Mortgage Association, 6.34%, 2/1/08	3,734,493	3,951
Credit Suisse First Boston Mortgage Securities Corp., Series 1997-C1, Class A2, 7.26%, 6/20/29 144A	2,691,501	2,878	Federal National Mortgage Association, 6.75%, 11/1/07	756,708	805
Credit Suisse First Boston Mortgage Securities Corp., Series 1997-C1, Class B, 7.28%, 6/20/29 144A	3,250,000	3,510	Federal National Mortgage Association, 6.75%, 4/25/18	4,085,805	4,289
Criimi Mae Commercial Mortgage Trust, Series 1998-C1, Class A1, 7.00%, 11/2/06 144A	6,162,847	6,288	Federal National Mortgage Association, 6.75%, 12/25/23	1,177,308	1,196
Criimi Mae Commercial Mortgage Trust, Series 1998-C1, Class B, 7.00%, 11/2/11 144A	5,700,000	6,239	Federal National Mortgage Association, 7.00%, 4/1/26	1,190,734	1,268
DLJ Commercial Mortgage Corp., Series 1998-CF1, Class S, 0.70%, 1/15/18 IO	221,807,952	6,330	Federal National Mortgage Association, 11.00%, 12/1/12	15,981	18
DLJ Mortgage Acceptance Corp., Series 1997-CF2, Class S, 0.35%, 10/15/30 IO 144A	13,738,181	253	Federal National Mortgage Association, 11.00%, 9/1/17	67,002	74
Enterprise Mortgage Acceptance Co., Series 1998-1, Class IO, 1.37%, 1/15/23 IO 144A	27,012,140	1,165	Federal National Mortgage Association, 11.00%, 12/1/17	12,732	14
Midland Realty Acceptance Corp., Series 1996-C2, Class AEC, 1.35%, 1/25/29 IO 144A	12,148,245	302	Federal National Mortgage Association, 11.00%, 2/1/18	46,687	52
Mortgage Capital Funding, Inc., Series 1997-MC1, Class A3, 7.29%, 3/20/27	7,345,990	7,595	Federal National Mortgage Association, 11.50%, 4/1/18	44,876	50
Nomura Asset Securities Corp., Series 1998-D6, Class A2, 6.99%, 3/15/30	15,000,000	17,434	Federal National Mortgage Association, 12.00%, 9/1/12	150,478	168
(d)RMF Commercial Mortgage Pass-Through, Series 1997-1, Class F, 7.47%, 1/15/19 144A	1,800,000	180	Federal National Mortgage Association, 12.00%, 12/1/12	54,505	61
Total		65,902	Federal National Mortgage Association, 12.00%, 9/1/17	30,782	35
Federal Government & Agencies (3.7%)			Federal National Mortgage Association, 12.00%, 10/1/17	27,985	32
Federal National Mortgage Association, 4.00%, 6/1/19	2,012,639	1,966	Federal National Mortgage Association, 12.00%, 12/1/17	30,782	35
Federal National Mortgage Association, 4.50%, 8/1/19	2,043,235	2,038	Federal National Mortgage Association, 12.00%, 10/1/17	27,985	32
Federal National Mortgage Association, 5.00%, 3/1/34	13,809,497	13,727	Federal National Mortgage Association, 12.00%, 12/1/17	54,505	61
Federal National Mortgage Association, 5.50%, 9/1/34	14,748,683	14,981	Federal National Mortgage Association, 12.00%, 9/1/17	30,782	35
Federal National Mortgage Association, 5.97%, 10/1/08	1,582,449	1,675	Federal National Mortgage Association, 12.00%, 10/1/17	27,985	32
Federal National Mortgage Association, 6.24%, 2/1/06	4,474,769	4,549	Federal National Mortgage Association, 12.00%, 12/1/17	54,505	61
Federal National Mortgage Association, 6.265%, 10/1/08	5,287,103	5,640	Federal National Mortgage Association, 12.50%, 4/1/18	10,161	12
			Federal National Mortgage Association, 13.00%, 11/1/12	32,816	37
			Federal National Mortgage Association, 13.00%, 11/1/17	11,985	14
			Federal National Mortgage Association, 13.00%, 12/1/17	8,973	10
			Federal National Mortgage Association, 13.00%, 2/1/18	51,693	60
			Federal National Mortgage Association, 14.00%, 12/1/17	20,092	24
			Federal National Mortgage Association, TBA, 6.00%, 1/1/35	8,000,000	8,269
			Government National Mortgage Association, 5.00%, 7/15/33	3,866,752	3,875
			Government National Mortgage Association, 5.50%, 1/15/32	392,945	402
			Government National Mortgage Association, 5.50%, 2/15/32	3,531,949	3,614
			Government National Mortgage Association, 5.50%, 9/15/32	122,320	125

Balanced Portfolio

Mortgage and Asset Backed Securities (6.9%)	Shares/ \$ Par	Value \$ (000's)
Federal Government & Agencies continued		
Government National Mortgage Association, 7.00%, 5/15/23	1,081,349	1,157
Government National Mortgage Association, 7.00%, 6/15/23	61,375	66
Government National Mortgage Association, 7.00%, 7/15/23	166,345	177
Government National Mortgage Association, 7.00%, 8/15/23	526	1
Government National Mortgage Association, 7.00%, 9/15/23	22,826	24
Government National Mortgage Association, 7.00%, 10/15/23	38,832	42
Government National Mortgage Association, 7.00%, 11/15/23	243,985	261
Government National Mortgage Association, 7.00%, 12/15/27	72,175	77
Government National Mortgage Association, 7.00%, 1/15/28	76,154	81
Government National Mortgage Association, 7.00%, 2/15/28	11,603	12
Government National Mortgage Association, 7.00%, 4/15/28	100,992	108
Government National Mortgage Association, 7.00%, 5/15/28	138,752	148
Government National Mortgage Association, 7.00%, 6/15/28	242,004	257
Government National Mortgage Association, 7.00%, 7/15/28	373,680	398
Government National Mortgage Association, 7.50%, 1/15/23	88,167	96
Government National Mortgage Association, 7.50%, 6/15/23	45,740	49
Government National Mortgage Association, 7.50%, 6/15/24	1,355	1
Government National Mortgage Association, 7.50%, 7/15/24	30,811	33
Government National Mortgage Association, 7.50%, 8/15/25	1,349	1
Government National Mortgage Association, 7.50%, 9/15/25	7,452	8
Government National Mortgage Association, 7.50%, 12/15/25	44,210	48
Government National Mortgage Association, 7.50%, 1/15/26	1,502	2
Government National Mortgage Association, 7.50%, 3/15/26	24,146	26
Government National Mortgage Association, 7.50%, 6/15/26	57,917	63
Government National Mortgage Association, 7.50%, 9/15/26	1,552	2
Government National Mortgage Association, 7.50%, 10/15/26	5,223	6
Government National Mortgage Association, 7.50%, 12/15/26	51,231	56
Government National Mortgage Association, 7.50%, 1/15/27	1,326	1

Mortgage and Asset Backed Securities (6.9%)	Shares/ \$ Par	Value \$ (000's)
Federal Government & Agencies continued		
Government National Mortgage Association, 7.50%, 2/15/27	38,042	41
Government National Mortgage Association, 7.50%, 3/15/27	3,428	4
Government National Mortgage Association, 7.50%, 4/15/27	122,627	132
Government National Mortgage Association, 7.50%, 5/15/27	40,561	44
Government National Mortgage Association, 7.50%, 7/15/27	20,636	22
Government National Mortgage Association, 8.00%, 9/15/24	68,491	75
Government National Mortgage Association, 8.00%, 5/15/26	28,021	30
Government National Mortgage Association, 8.00%, 6/15/26	29,424	32
Government National Mortgage Association, 8.00%, 7/15/26	69,347	75
Government National Mortgage Association, 8.00%, 8/15/26	28,105	31
Government National Mortgage Association, 8.00%, 9/15/26	69,110	75
Government National Mortgage Association, 8.00%, 10/15/26	101,113	111
Government National Mortgage Association, 8.00%, 12/15/26	29,255	32
Government National Mortgage Association, 8.00%, 4/15/27	92,783	101
Government National Mortgage Association, 8.00%, 6/15/27	22,409	24
Government National Mortgage Association, 8.00%, 7/15/27	21,096	23
Government National Mortgage Association, 8.00%, 7/20/28	200,787	217
Government National Mortgage Association, 8.50%, 5/15/22	545	1
Government National Mortgage Association, 8.50%, 10/15/22	8,317	9
Government National Mortgage Association, 8.50%, 12/15/22	2,851	3
Government National Mortgage Association, 8.50%, 6/15/24	661	1
Government National Mortgage Association, 8.50%, 7/15/24	8,024	9
Government National Mortgage Association, 8.50%, 12/15/24	1,043	1
Government National Mortgage Association, 8.50%, 1/15/25	1,652	2
Government National Mortgage Association, 8.50%, 2/15/25	4,221	4
Government National Mortgage Association, 8.50%, 11/15/25	1,202	1
Government National Mortgage Association, 8.50%, 1/15/26	9,634	11
Government National Mortgage Association, 8.50%, 3/15/26	4,914	6

Balanced Portfolio

Mortgage and Asset Backed Securities (6.9%)	Shares/ \$ Par	Value \$ (000's)	Common Stocks (47.7%)	Shares/ \$ Par	Value \$ (000's)
Federal Government & Agencies continued			Consumer Discretionary continued		
Government National Mortgage Association, 8.50%, 4/15/26	6,574	7	Eastman Kodak Co.	36,117	1,165
Government National Mortgage Association, 8.50%, 5/15/26	850	1	*eBay, Inc.	83,500	9,709
Government National Mortgage Association, 11.00%, 1/15/18	1,437,291	1,610	Family Dollar Stores, Inc.	21,100	659
Government National Mortgage Association, TBA, 4.50%, 1/1/35	20,513,909	20,000	Federated Department Stores, Inc.	21,312	1,232
Vendee Mortgage Trust, Series 1998-3, Class E, 6.50%, 3/15/29	4,500,000	4,633	Ford Motor Co.	230,507	3,375
Total		108,489	Fortune Brands, Inc.	18,133	1,400
Finance Services (0.5%)			Gannett Co., Inc.	32,150	2,627
Morgan Stanley Capital, Series 1998-WF2, Class A2, 6.54%, 5/15/08	15,000,000	16,117	The Gap, Inc.	110,425	2,332
Total		16,117	General Motors Corp.	71,125	2,849
Housing Programs (0.0%)			Genuine Parts Co.	21,975	968
Rural Housing Trust 1987-1, Series 1, Class D, 6.33%, 4/1/26	943,098	943	*The Goodyear Tire & Rubber Co.	22,100	324
Total		943	Harley-Davidson, Inc.	36,975	2,246
International Affairs (0.1%)			Harrah's Entertainment, Inc.	14,150	946
Overseas Private Investment, 4.10%, 11/15/14	4,334,720	4,319	*Hasbro, Inc.	22,275	432
Total		4,319	Hilton Hotels Corp.	48,650	1,106
Retail-Retail Stores (0.4%)			The Home Depot, Inc.	276,597	11,823
LB Mortgage Trust, Series 1991-2, Class A3, 8.39%, 1/20/17	9,956,872	11,357	International Game Technology	43,400	1,492
Total		11,357	*The Interpublic Group of Companies, Inc.	53,300	714
Total Mortgage and Asset Backed Securities (Cost: \$201,267)			J. C. Penney Co., Inc.	35,925	1,487
		207,302	Johnson Controls, Inc.	24,000	1,523
Common Stocks (47.7%)			Jones Apparel Group, Inc.	15,400	563
Consumer Discretionary (5.7%)			KB Home	5,800	606
*AutoNation, Inc.	33,300	640	Knight-Ridder, Inc.	9,650	646
*AutoZone, Inc.	10,075	920	*Kohl's Corp.	43,233	2,126
*Bed Bath & Beyond, Inc.	37,900	1,510	Leggett & Platt, Inc.	24,067	684
Best Buy Co., Inc.	40,900	2,430	The Limited, Inc.	51,199	1,179
*Big Lots, Inc.	14,200	172	Liz Claiborne, Inc.	13,700	578
The Black & Decker Corp.	10,200	901	Lowe's Companies, Inc.	97,350	5,606
Brunswick Corp.	12,100	599	Marriott International, Inc. — Class A	28,200	1,776
Carnival Corp.	79,773	4,597	Mattel, Inc.	52,260	1,019
Centex Corp.	15,700	935	The May Department Stores Co.	36,800	1,082
Circuit City Stores, Inc.	24,600	385	Maytag Corp.	9,967	210
Clear Channel Communications, Inc.	72,250	2,420	McDonald's Corp.	158,371	5,077
*Coach, Inc.	23,800	1,342	The McGraw-Hill Companies, Inc.	23,940	2,191
*Comcast Corp. — Class A	279,637	9,306	Meredith Corp.	6,300	341
Cooper Tire & Rubber Co.	9,400	203	The New York Times Co. — Class A	18,292	746
Dana Corp.	18,915	328	Newell Rubbermaid, Inc.	34,611	837
Darden Restaurants, Inc.	19,849	551	News Corp., Inc. — Class A	376,100	7,018
Delphi Automotive Systems Corp.	70,669	637	NIKE, Inc. — Class B	33,100	3,002
Dillard's, Inc. — Class A	10,336	278	Nordstrom, Inc.	17,633	824
Dollar General Corp.	41,265	857	*Office Depot, Inc.	39,343	683
Dow Jones & Co., Inc.	10,280	443	OfficeMax, Inc.	11,800	370
			Omnicom Group, Inc.	23,500	1,982
			Pulte Homes, Inc.	16,100	1,027
			RadioShack Corp.	19,967	657
			Reebok International, Ltd.	7,300	321
			Sears, Roebuck & Co.	26,050	1,329
			The Sherwin-Williams Co.	17,760	793
			Snap-on, Inc.	7,217	248
			The Stanley Works	10,350	507
			Staples, Inc.	62,750	2,115
			*Starbucks Corp.	50,350	3,140
			Starwood Hotels & Resorts Worldwide, Inc.	26,100	1,524
			Target Corp.	112,743	5,855
			Tiffany & Co.	18,333	586
			*Time Warner, Inc.	576,900	11,215
			The TJX Companies, Inc.	60,700	1,525

Balanced Portfolio

Common Stocks (47.7%)	Shares/ \$ Par	Value \$ (000's)	Common Stocks (47.7%)	Shares/ \$ Par	Value \$ (000's)
Consumer Discretionary continued			Energy (3.4%)		
*Toys R" Us, Inc.	27,050	554	Amerada Hess Corp.	11,500	947
Tribune Co.	40,031	1,687	Anadarko Petroleum Corp.	31,177	2,021
*Univision Communications, Inc. — Class A	40,700	1,191	Apache Corp.	41,130	2,080
V. F. Corp.	13,943	772	Ashland, Inc.	9,000	525
Viacom, Inc. — Class B	214,761	7,815	Baker Hughes, Inc.	42,240	1,802
Visteon Corp.	16,312	159	BJ Services Co.	20,300	945
The Walt Disney Co.	257,333	7,154	Burlington Resources, Inc.	49,272	2,143
Wendy's International, Inc.	14,350	563	ChevronTexaco Corp.	266,868	14,014
Whirlpool Corp.	8,350	578	ConocoPhillips	86,903	7,546
Yum! Brands, Inc.	36,880	1,740	Devon Energy Corp.	61,200	2,382
Total		170,064	El Paso Corp.	81,017	843
Consumer Staples (5.0%)			EOG Resources, Inc.	14,940	1,066
Adolph Coors Co. — Class B	4,700	356	Exxon Mobil Corp.	812,571	41,653
Alberto-Culver Co.	11,500	559	Halliburton Co.	55,685	2,185
Albertson's, Inc.	46,395	1,108	Kerr-McGee Corp.	19,057	1,101
Altria Group, Inc.	258,504	15,794	Kinder Morgan, Inc.	15,633	1,143
Anheuser-Busch Companies, Inc.	99,519	5,049	Marathon Oil Corp.	43,691	1,643
Archer-Daniels-Midland Co.	82,475	1,840	*Nabors Industries, Ltd.	18,850	967
Avon Products, Inc.	59,550	2,305	*Noble Corp.	17,050	848
Brown-Forman Corp. — Class B	15,368	748	Occidental Petroleum Corp.	49,680	2,899
Campbell Soup Co.	51,854	1,550	*Rowan Companies, Inc.	13,550	351
The Clorox Co.	19,150	1,129	Schlumberger, Ltd.	74,133	4,963
The Coca-Cola Co.	304,700	12,685	Sunoco, Inc.	9,250	756
Coca-Cola Enterprises, Inc.	59,100	1,232	*Transocean, Inc.	40,554	1,719
Colgate-Palmolive Co.	66,754	3,415	Unocal Corp.	33,133	1,433
ConAgra Foods, Inc.	64,733	1,906	Valero Energy Corp.	32,300	1,466
Costco Wholesale Corp.	59,052	2,859	The Williams Companies, Inc.	70,100	1,142
CVS Corp.	50,433	2,273	Total		100,583
General Mills, Inc.	45,933	2,283	Financials (9.8%)		
The Gillette Co.	125,065	5,600	ACE, Ltd.	35,800	1,530
H.J. Heinz Co.	43,983	1,715	AFLAC, Inc.	63,750	2,540
Hershey Foods Corp.	31,000	1,722	The Allstate Corp.	86,469	4,472
Kellogg Co.	52,043	2,324	Ambac Financial Group, Inc.	13,700	1,125
Kimberly-Clark Corp.	61,397	4,041	American Express Co.	158,100	8,913
*The Kroger Co.	93,073	1,633	American International Group, Inc.	328,090	21,547
McCormick & Co., Inc.	17,200	664	AmSouth Bancorporation	44,745	1,159
The Pepsi Bottling Group, Inc.	31,500	852	Aon Corp.	39,875	951
PepsiCo, Inc.	212,200	11,077	Apartment Investment and Management Co. — Class A	11,900	459
The Procter & Gamble Co.	319,546	17,600	Archstone-Smith Trust	24,600	942
Reynolds American, Inc.	18,600	1,462	Bank of America Corp	508,790	23,909
*Safeway, Inc.	56,400	1,113	The Bank of New York Co., Inc.	97,820	3,269
Sara Lee Corp.	98,884	2,387	BB&T Corp.	69,600	2,927
SUPERVALU, Inc.	16,950	585	The Bear Stearns Companies, Inc.	13,045	1,335
SYSCO Corp.	80,550	3,075	Capital One Financial Corp.	30,600	2,577
UST, Inc.	20,833	1,002	The Charles Schwab Corp.	169,686	2,029
Wal-Mart Stores, Inc.	533,433	28,175	The Chubb Corp.	24,150	1,857
Walgreen Co.	128,754	4,940	Cincinnati Financial Corp.	21,194	938
Wm. Wrigley Jr. Co.	28,233	1,953	CIT Group, Inc.	26,500	1,214
Total		149,011	Citigroup, Inc.	653,674	31,495
			Comerica, Inc.	21,500	1,312
			Compass Bancshares, Inc.	15,400	750
			Countrywide Financial Corp.	73,098	2,705
			*E*TRADE Group, Inc.	46,900	701
			Equity Office Properties Trust	50,800	1,479
			Equity Residential Properties Trust	35,600	1,288
			Fannie Mae	121,929	8,684

Balanced Portfolio

Common Stocks (47.7%)	Shares/ \$ Par	Value \$ (000's)	Common Stocks (47.7%)	Shares/ \$ Par	Value \$ (000's)
Financials continued			Health Care (6.0%)		
Federated Investors, Inc. — Class B	13,500	410	Abbott Laboratories	196,125	9,149
Fifth Third Bancorp	70,743	3,345	Aetna, Inc.	18,579	2,318
First Horizon National Corp.	15,500	668	Allergan, Inc.	16,533	1,340
Franklin Resources, Inc.	31,450	2,190	AmerisourceBergen Corp.	13,200	775
Freddie Mac	86,814	6,398	*Amgen, Inc.	160,023	10,265
Golden West Financial Corp.	38,600	2,371	Applera Corp. — Applied Biosystems Group	24,667	516
The Goldman Sachs Group, Inc.	61,000	6,346	Bausch & Lomb, Inc.	6,700	432
The Hartford Financial Services Group, Inc.	36,950	2,561	Baxter International, Inc.	77,600	2,680
Huntington Bancshares, Inc.	29,100	721	Becton, Dickinson and Co.	31,950	1,815
Janus Capital Group, Inc.	29,771	500	*Biogen Idec, Inc.	42,020	2,799
Jefferson-Pilot Corp.	17,153	891	Biomet, Inc.	31,855	1,382
JPMorgan Chase & Co.	448,709	17,505	*Boston Scientific Corp.	106,380	3,782
KeyCorp	51,225	1,737	Bristol-Myers Squibb Co.	245,044	6,278
Lehman Brothers Holdings, Inc.	33,956	2,970	C. R. Bard, Inc.	13,200	845
Lincoln National Corp.	21,960	1,025	Cardinal Health, Inc.	54,450	3,166
Loews Corp.	23,333	1,640	*Caremark Rx, Inc.	57,300	2,259
M&T Bank Corp.	14,600	1,574	*Chiron Corp.	23,578	786
Marsh & McLennan Companies, Inc.	66,380	2,184	CIGNA Corp.	16,871	1,376
Marshall & Ilsley Corp.	28,100	1,242	Eli Lilly and Co.	142,566	8,091
MBIA, Inc.	17,750	1,123	*Express Scripts, Inc.	9,600	734
MBNA Corp.	160,895	4,536	*Fisher Scientific International, Inc.	14,800	923
Mellon Financial Corp.	53,309	1,658	*Forest Laboratories, Inc.	46,434	2,083
Merrill Lynch & Co., Inc.	117,300	7,011	*Genzyme Corp.	31,200	1,812
MetLife, Inc.	93,715	3,796	*Gilead Sciences, Inc.	54,500	1,907
MGIC Investment Corp.	12,200	841	Guidant Corp.	40,112	2,892
Moody's Corp.	18,600	1,615	HCA, Inc.	53,015	2,118
Morgan Stanley	137,831	7,652	Health Management Associates, Inc. — Class A	30,700	698
National City Corp.	85,379	3,206	*Hospira, Inc.	19,642	658
North Fork Bancorporation, Inc.	59,300	1,711	*Humana, Inc.	20,100	597
Northern Trust Corp.	27,650	1,343	IMS Health, Inc.	29,233	678
Plum Creek Timber Co., Inc. (REIT)	23,100	888	Johnson & Johnson	373,823	23,708
The PNC Financial Services Group, Inc.	35,600	2,045	*King Pharmaceuticals, Inc.	30,466	378
Principal Financial Group, Inc.	38,700	1,584	*Laboratory Corp. of America Holdings	17,400	867
The Progressive Corp.	25,200	2,138	Manor Care, Inc.	10,900	386
ProLogis	23,200	1,005	McKesson Corp.	36,993	1,164
*Providian Financial Corp.	36,943	608	*Medco Health Solutions, Inc.	34,362	1,429
Prudential Financial, Inc.	64,600	3,550	*MedImmune, Inc.	31,300	849
Regions Financial Corp.	58,575	2,085	Medtronic, Inc.	152,200	7,560
SAFECO Corp.	15,950	833	Merck & Co., Inc.	279,300	8,977
Simon Property Group, Inc.	27,900	1,804	*Millipore Corp.	6,300	314
SLM Corp.	54,158	2,891	Mylan Laboratories, Inc.	33,900	599
Sovereign Bancorp, Inc.	43,500	981	PerkinElmer, Inc.	16,100	362
The St. Paul Travelers Companies, Inc.	84,331	3,126	Pfizer, Inc.	948,559	25,507
State Street Corp.	42,000	2,063	Quest Diagnostics, Inc.	12,700	1,213
SunTrust Banks, Inc.	46,667	3,448	Schering-Plough Corp.	185,550	3,874
Synovus Financial Corp.	39,050	1,116	*St. Jude Medical, Inc.	45,000	1,887
T. Rowe Price Group, Inc.	16,100	1,001	Stryker Corp.	50,600	2,441
Torchmark Corp.	13,650	780	*Tenet Healthcare Corp.	58,750	645
U.S. Bancorp	235,209	7,367	*Thermo Electron Corp.	20,100	607
UnumProvident Corp.	37,306	669	UnitedHealth Group, Inc.	82,328	7,247
Wachovia Corp.	201,988	10,626	*Waters Corp.	15,200	711
Washington Mutual, Inc.	109,938	4,648	*Watson Pharmaceuticals, Inc.	13,800	453
Wells Fargo & Co.	213,085	13,244	*WellPoint, Inc.	37,200	4,278
XL Capital, Ltd. — Class A	17,500	1,359	Wyeth	168,071	7,158
Zions Bancorporation	11,300	769	*Zimmer Holdings, Inc.	30,873	2,474
Total		293,505	Total		180,242

Balanced Portfolio

Common Stocks (47.7%)	Shares/ \$ Par	Value \$ (000's)
Industrials (5.6%)		
3M Co.	98,024	8,044
*Allied Waste Industries, Inc.	40,050	372
American Power Conversion Corp.	24,050	515
*American Standard Companies, Inc.	27,000	1,116
*Apollo Group, Inc. — Class A	23,300	1,881
Avery Dennison Corp.	13,950	837
The Boeing Co.	105,718	5,473
Burlington Northern Santa Fe Corp.	47,308	2,238
Caterpillar, Inc.	43,012	4,194
Cendant Corp.	132,573	3,100
Cintas Corp.	21,667	950
Cooper Industries, Ltd. — Class A	11,600	788
CSX Corp.	27,050	1,084
Cummins, Inc.	5,700	478
Danaher Corp.	38,900	2,233
Deere & Co.	31,240	2,324
*Delta Air Lines, Inc.	16,333	122
Dover Corp.	25,633	1,075
Eaton Corp.	19,100	1,382
Emerson Electric Co.	52,825	3,703
Equifax, Inc.	17,000	478
FedEx Corp.	37,840	3,727
Fluor Corp.	10,600	578
General Dynamics Corp.	25,200	2,636
General Electric Co.	1,331,698	48,606
Goodrich Corp.	15,000	490
H&R Block, Inc.	20,750	1,017
Honeywell International, Inc.	108,350	3,837
Illinois Tool Works, Inc.	37,200	3,448
Ingersoll-Rand Co. — Class A	21,670	1,740
ITT Industries, Inc.	11,600	980
L-3 Communications Holdings, Inc.	14,500	1,062
Lockheed Martin Corp.	55,722	3,095
Masco Corp.	56,400	2,060
*Monster Worldwide, Inc.	15,033	506
*Navistar International Corp.	8,820	388
Norfolk Southern Corp.	49,843	1,804
Northrop Grumman Corp.	46,362	2,520
PACCAR, Inc.	21,927	1,765
Pall Corp.	15,616	452
Parker-Hannifin Corp.	15,000	1,136
Pitney Bowes, Inc.	29,027	1,343
*Power-One, Inc.	10,600	95
R. R. Donnelley & Sons Co.	27,633	975
Raytheon Co.	56,900	2,209
Robert Half International, Inc.	21,860	643
Rockwell Automation, Inc.	23,250	1,152
Rockwell Collins, Inc.	22,250	878
Ryder System, Inc.	8,100	387
Southwest Airlines Co.	98,195	1,599
Textron, Inc.	17,350	1,280
Tyco International, Ltd.	253,383	9,055
Union Pacific Corp.	32,740	2,202
United Parcel Service, Inc. — Class B	141,200	12,066
United Technologies Corp.	64,333	6,648
W.W. Grainger, Inc.	11,300	753
Waste Management, Inc.	72,097	2,159
Total		167,678

Common Stocks (47.7%)	Shares/ \$ Par	Value \$ (000's)
Information Technology (7.7%)		
*ADC Telecommunications, Inc.	101,850	273
Adobe Systems, Inc.	30,075	1,887
*Advanced Micro Devices, Inc.	48,600	1,070
*Affiliated Computer Services, Inc. — Class A	16,200	975
*Agilent Technologies, Inc.	61,188	1,475
*Altera Corp.	46,865	970
Analog Devices, Inc.	47,343	1,748
*Andrew Corp.	20,262	276
*Apple Computer, Inc.	50,600	3,259
*Applied Materials, Inc.	213,900	3,658
*Applied Micro Circuits Corp.	38,800	163
Autodesk, Inc.	28,932	1,098
Automatic Data Processing, Inc.	73,400	3,255
*Avaya, Inc.	57,712	993
*BMC Software, Inc.	27,940	520
*Broadcom Corp. — Class A	41,500	1,340
*CIENA Corp.	72,000	240
*Cisco Systems, Inc.	829,367	16,007
*Citrix Systems, Inc.	21,380	524
Computer Associates International, Inc.	73,732	2,290
*Computer Sciences Corp.	23,850	1,344
*Compuware Corp.	48,743	315
*Comverse Technology, Inc.	24,900	609
*Convergys Corp.	17,850	268
*Corning, Inc.	176,600	2,079
*Dell, Inc.	312,967	13,188
*Electronic Arts, Inc.	38,500	2,375
Electronic Data Systems Corp.	64,700	1,495
*EMC Corp.	301,786	4,488
First Data Corp.	104,547	4,447
*Fiserv, Inc.	24,625	990
*Freescale Semiconductor Inc.	49,106	902
*Gateway, Inc.	47,050	283
Hewlett-Packard Co.	380,367	7,976
Intel Corp.	796,443	18,628
International Business Machines Corp.	209,710	20,672
*Intuit, Inc.	23,600	1,039
*Jabil Circuit, Inc.	25,333	648
*JDS Uniphase Corp.	181,900	577
*KLA-Tencor Corp.	24,600	1,146
*Lexmark International, Inc. — Class A	16,300	1,386
Linear Technology Corp.	38,650	1,498
*LSI Logic Corp.	48,500	266
*Lucent Technologies, Inc.	556,862	2,094
Maxim Integrated Products, Inc.	41,000	1,738
*Mercury Interactive Corp.	10,600	483
*Micron Technology, Inc.	77,150	953
Microsoft Corp.	1,369,400	36,576
Molex, Inc.	23,775	713
Motorola, Inc.	306,619	5,274
National Semiconductor Corp.	45,086	809
*NCR Corp.	11,700	810
*Network Appliance, Inc.	45,200	1,502
*Novell, Inc.	47,300	319
*Novellus Systems, Inc.	17,600	491
*NVIDIA Corp.	20,900	492
*Oracle Corp.	645,950	8,862

Balanced Portfolio

Common Stocks (47.7%)	Shares/ \$ Par	Value \$ (000's)
Information Technology continued		
*Parametric Technology Corp.	33,920	200
Paychex, Inc.	47,640	1,624
*PMC-Sierra, Inc.	22,400	252
*QLogic Corp.	11,650	428
QUALCOMM, Inc.	206,466	8,754
Sabre Holdings Corp. — Class A	17,109	379
*Sanmina-SCI Corp.	65,600	556
Scientific-Atlanta, Inc.	19,300	637
*Siebel Systems, Inc.	64,000	672
*Solectron Corp.	122,300	652
*Sun Microsystems, Inc.	423,654	2,279
*SunGard Data Systems, Inc.	36,400	1,031
*Symantec Corp.	79,900	2,058
Symbol Technologies, Inc.	30,350	525
Tektronix, Inc.	11,340	343
*Tellabs, Inc.	58,208	500
*Teradyne, Inc.	24,450	417
Texas Instruments, Inc.	217,675	5,359
*Unisys Corp.	42,350	431
*VERITAS Software Corp.	53,201	1,519
*Xerox Corp.	120,100	2,043
Xilinx, Inc.	43,900	1,302
*Yahoo!, Inc.	173,200	6,526
Total		<u>228,243</u>
Materials (1.5%)		
Air Products and Chemicals, Inc.	28,633	1,660
Alcoa, Inc.	109,643	3,445
Allegheny Technologies, Inc.	12,031	261
Ball Corp.	14,168	623
Bemis Co., Inc.	13,500	393
The Dow Chemical Co.	118,824	5,883
E. I. du Pont de Nemours and Co.	125,145	6,137
Eastman Chemical Co.	9,775	564
Ecolab, Inc.	32,500	1,142
Engelhard Corp.	15,400	472
Freeport-McMoRan Copper & Gold, Inc. — Class B	22,519	861
Georgia-Pacific Corp.	32,458	1,217
Great Lakes Chemical Corp.	6,400	182
*Hercules, Inc.	14,100	209
International Flavors & Fragrances, Inc.	11,875	509
International Paper Co.	61,324	2,576
Louisiana-Pacific Corp.	13,900	372
MeadWestvaco Corp.	25,514	865
Monsanto Co.	33,278	1,849
Newmont Mining Corp.	55,930	2,484
Nucor Corp.	20,034	1,049
*Pactiv Corp.	18,700	473
Phelps Dodge Corp.	12,010	1,188
PPG Industries, Inc.	21,633	1,475
Praxair, Inc.	40,900	1,806
Rohm and Haas Co.	28,334	1,253
*Sealed Air Corp.	10,536	561
Sigma-Aldrich Corp.	8,700	526
Temple-Inland, Inc.	7,100	486
United States Steel Corp.	14,350	735
Vulcan Materials Co.	12,900	704
Weyerhaeuser Co.	30,220	2,031
Total		<u>43,991</u>

Common Stocks (47.7%)	Shares/ \$ Par	Value \$ (000's)
Telecommunication Services (1.6%)		
ALLTEL Corp.	38,243	2,247
AT&T Corp.	100,274	1,911
BellSouth Corp.	230,735	6,412
CenturyTel, Inc.	17,000	603
Citizens Communications Co.	42,300	583
*Nextel Communications, Inc. — Class A	139,933	4,198
*Qwest Communications International, Inc.	228,720	1,016
SBC Communications, Inc.	417,633	10,762
Sprint Corp.	185,311	4,605
Verizon Communications, Inc.	348,738	14,128
Total		<u>46,465</u>
Utilities (1.4%)		
*The AES Corp.	81,675	1,116
*Allegheny Energy, Inc.	17,300	341
Ameren Corp.	24,533	1,230
American Electric Power Co., Inc.	49,820	1,711
*Calpine Corp.	67,340	265
Centerpoint Energy, Inc.	38,726	438
Cinergy Corp.	22,838	951
*CMS Energy Corp.	24,500	256
Consolidated Edison, Inc.	30,525	1,335
Constellation Energy Group, Inc.	22,200	970
Dominion Resources, Inc.	41,725	2,826
DTE Energy Co.	21,950	947
Duke Energy Corp.	120,542	3,053
*Dynergy, Inc. — Class A	47,900	221
Edison International	41,080	1,316
Entergy Corp.	28,191	1,905
Exelon Corp.	83,424	3,676
FirstEnergy Corp.	41,574	1,643
FPL Group, Inc.	23,343	1,745
KeySpan Corp.	20,200	797
Nicor, Inc.	5,550	205
NiSource, Inc.	34,084	776
Peoples Energy Corp.	4,700	207
*PG&E Corp.	50,775	1,690
Pinnacle West Capital Corp.	11,500	511
PPL Corp.	23,833	1,270
Progress Energy, Inc.	31,079	1,406
Public Service Enterprise Group, Inc.	29,940	1,550
Sempra Energy	29,359	1,077
The Southern Co.	93,200	3,124
TECO Energy, Inc.	25,200	387
TXU Corp.	30,215	1,951
Xcel Energy, Inc.	50,470	919
Total		<u>41,815</u>
Total Common Stocks (Cost: \$759,069)		
		<u>1,421,597</u>
Money Market Investments (17.1%)		
Autos (5.1%)		
(b)BMW U.S. Capital Corp., 2.30%, 1/14/05	30,000,000	29,974
(b)Daimler Chrysler Auto, 2.25%, 1/12/05	15,000,000	14,990

Balanced Portfolio

Money Market Investments (17.1%)	Shares/ \$ Par	Value \$ (000's)
Autos continued		
(b)Daimler Chrysler Auto, 2.31%, 1/6/05	15,000,000	14,995
(b)Fcar Owner Trust I, 2.25%, 1/5/05	15,000,000	14,996
(b)Fcar Owner Trust I, 2.28%, 1/7/05	15,000,000	14,994
(b)New Center Asset Trust, 2.31%, 1/18/05	15,000,000	14,984
(b)New Center Asset Trust, 2.36%, 2/10/05	15,000,000	14,961
(b)Toyota Motor Credit Corp., 2.28%, 1/24/05	15,000,000	14,978
(b)Toyota Motor Credit Corp., 2.30%, 1/18/05	15,000,000	14,984
Total		149,856
Federal Government & Agencies (1.1%)		
(b)Federal Home Loan Mortgage Co., 2.42%, 3/22/05	34,200,000	34,027
Total		34,027
Finance Lessors (3.0%)		
(b)Delaware Funding, 2.29%, 2/2/05	15,000,000	14,969
Ranger Funding Co., LLC, 2.23%, 1/10/05	15,000,000	14,992
Ranger Funding Co., LLC, 2.33%, 1/18/05	15,000,000	14,983
Thunder Bay Funding, Inc, 2.27%, 1/20/05	15,000,000	14,982
Thunder Bay Funding, Inc, 2.34%, 1/24/05	15,000,000	14,978
Windmill Funding Corp., 2.33%, 2/3/05	15,000,000	14,968
Total		89,872
Finance Services (1.9%)		
(b)Ciesco LP, 2.20%, 1/3/05	10,740,000	10,739
(b)Citicorp, 2.27%, 1/20/05	15,000,000	14,982
Preferred Receivable Funding, 2.25%, 1/12/05	15,000,000	14,989
Preferred Receivable Funding, 2.27%, 1/13/05	15,000,000	14,989
Total		55,699
Flavoring Extracts and Syrups (0.5%)		
(b)Coca-Cola Co., 2.31%, 1/20/05	15,000,000	14,982
Total		14,982
Personal Credit Institutions (1.0%)		
(b)American General, 2.37%, 1/28/05	15,000,000	14,973
(b)Household Finance Corp., 2.28%, 2/4/05	15,000,000	14,968
Total		29,941
Petroleum Refining (0.5%)		
Chevrontexaco Funding Corp, 2.25%, 1/5/05	15,000,000	14,996
Total		14,996

Money Market Investments (17.1%)	Shares/ \$ Par	Value \$ (000's)
Pharmaceutical Preparations (0.5%)		
Pfizer, Inc., 2.00%, 1/4/05	15,000,000	14,998
Total		14,998
Security Brokers and Dealers (1.0%)		
(b)Merrill Lynch, 2.28%, 1/24/05	15,000,000	14,978
Morgan Stanley Dean Witter, 2.32%, 1/18/05	15,000,000	14,984
Total		29,962
Short Term Business Credit (1.5%)		
American Express Credit, 2.26%, 1/6/05	15,000,000	14,995
Old Line Funding Corp., 2.32%, 1/20/05	15,000,000	14,982
USAA Cap Corp, 2.28%, 1/5/05	15,000,000	14,996
Total		44,973
Utilities (1.0%)		
(b)National Rural Utility, 2.27%, 1/11/05	15,000,000	14,990
(b)National Rural Utility, 2.32%, 1/19/05	15,000,000	14,983
Total		29,973
Total Money Market Investments (Cost: \$509,269)		509,279
Total Investments (106.4%) (Cost \$2,501,728)(a)		3,173,820
Other Assets, Less Liabilities (-6.4%)		(190,641)
Total Net Assets (100.0%)		2,983,179

* Non-Income Producing

144A after the name of a security represents a security exempt from registration under Rule 144A of the securities Act of 1933. These securities may be resold as transactions exempt from registration, normally to qualified institutional buyers. At December 31, 2004, the value of these securities was \$71,782, representing 2.41% of net assets.

IO — Interest Only Security

RB — Revenue Bond

(a) At December 31, 2004 the aggregate cost of securities for federal tax purposes (in thousands) was \$2,506,806 and the net unrealized appreciation of investments based on that cost was \$667,014 which is comprised of \$782,266 aggregate gross unrealized appreciation and \$115,252 aggregate gross unrealized depreciation.

Balanced Portfolio

(b) All or a portion of the securities have been committed as collateral for open futures positions or when-issued securities. Information regarding open futures contracts as of period end is summarized below.

Issuer (000's)	Number of Contracts	Expiration Date	Unrealized Appreciation/Depreciation (000's)
S&P 500 Index Futures (Total Notional Value at December 31, 2004, \$265,239)	899	3/05	\$7,540
US Ten Year Treasury Note (Total Notional Value at December 31, 2004, \$11,248)	100	3/05	\$ 55

(d) Defaulted Security

(f) All or a portion of the securities have been loaned.
See Note 6.

The Accompanying Notes are an Integral Part of the Financial Statements

High Yield Bond Portfolio

Objective:

High current income and capital appreciation with moderate risk.

Portfolio Strategy:

Generate superior performance by investing in a diversified mix of fixed income securities rated below investment grade.

Net Assets:

\$229 million

The investment objective of the High Yield Bond Portfolio is to achieve high current income and capital appreciation. The Portfolio invests primarily in debt securities that are rated below investment grade by at least one major rating agency. High yield debt securities are often called "junk bonds."

For the year ended December 31, 2004, the Portfolio had a total return of 12.76%, outperforming its benchmark, the Lehman High Yield Intermediate Index, which returned 10.85%. (This Index is unmanaged, cannot be invested in directly and does not include administrative expenses or sales charges.) The average return for the Portfolio's peer group, High Current Yield Funds, was 9.84% for the same period, according to Lipper Analytical Services, Inc. ("Lipper"), an independent mutual fund ranking agency. The High Yield Bond Portfolio has performed better than the Index since inception (May 3, 1994). The Portfolio's outperformance during 2004 can be attributed to a combination of quality mix, industry sector exposure and individual credit selections.

Following an exceptional year in 2003, the High Yield Bond Portfolio once again reported double digit returns in 2004. During the first half of 2004, the Federal Reserve Board outlined a measured approach to raising interest rates; high yield credit spreads tightened and high yield bonds performed well in an environment of rising interest rates. For the year overall, high yield bonds benefited from a strengthening economy, which is positive for earnings and cash flow of the leveraged companies that issue high yield bonds. Technical factors also supported the high yield market, as investors seeking yield in a low interest rate environment demonstrated a willingness to take on more risk. Although the expectation for high yield bonds in 2004 was good, gains were even better than expected. Overall, the high yield sector was the best performing domestic fixed income sector for the year. The reason

lies in good fundamentals. High yield bonds perform best when things are going well in the economy. That was true in 2004, when we experienced good growth, good corporate earnings, and good cash flow. Very low default rates (less than 3%, according to Moody's) also helped, with more positive credit rating changes reported for the year than negative.

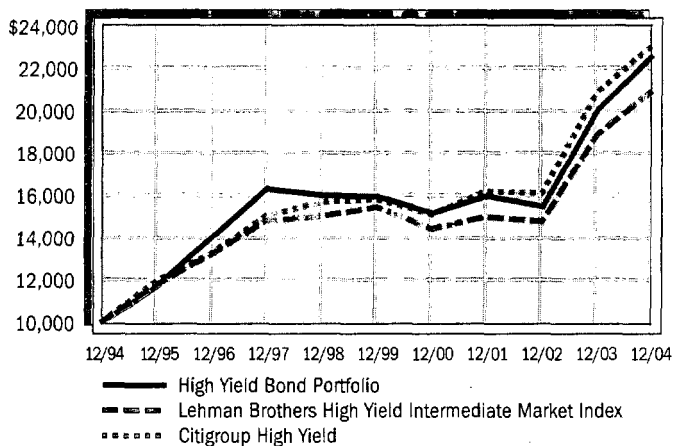
The Portfolio's outperformance in 2004 was the result of three factors: a moderately aggressive quality mix, industry sector selection and individual credit selection. The Portfolio's emphasis on B-rated, rather than higher quality, bonds helped its performance as lower quality bonds outperformed. The Portfolio also had good exposure to several industry sectors that turned in good performance for the year, including Telecom-Wireline, Financial Services, Cable TV and Satellite, and Chemicals. In addition, very few bonds in the Portfolio disappointed, as there were relatively few credit problems during 2004. Individual credit selections that performed particularly well during 2004 included AT&T, Huntsman Chemical, Appleton Papers, Playtex Products and Kabel Deutschland.

In 2003, and again in 2004, high yield bonds produced above-average returns. That level of return should not be anticipated for future periods. As we enter 2005, we will look for long-term interest rates to rise moderately with continued growth in the economy, and we also expect that high yield credit spreads will be maintained, given the strong fundamentals in the corporate sector.

We will continue to look for opportunities to achieve the Portfolio's primary investment strategy of achieving high current income and capital appreciation by investing in industries and individual companies that are attractively priced relative to the overall high yield market.

High Yield Bond Portfolio

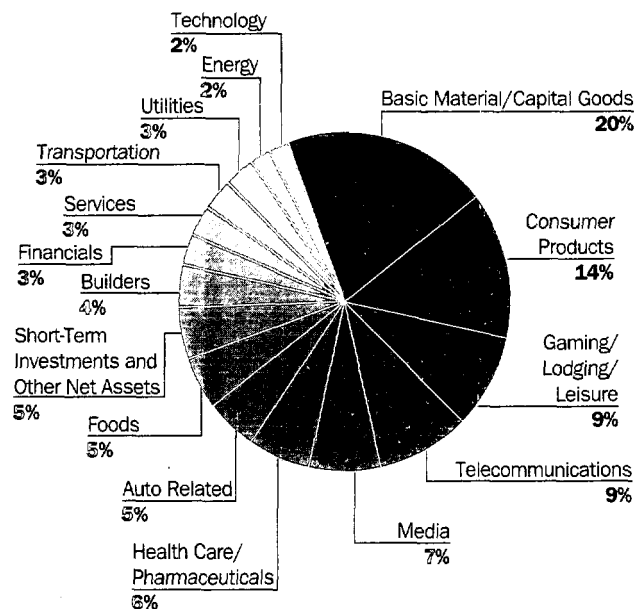
Relative Performance



Average Annual Total Return
For Periods Ended December 31, 2004

	1 Year	5 Years	10 Years
High Yield Bond Portfolio	12.76%	7.21%	8.41%
Lehman Brothers High Yield Intermediate Market Index	10.85%	6.23%	7.59%
Citigroup High Yield Cash Pay Index	10.51%	7.75%	8.62%
High Current Yield Funds Lipper Average	9.84%	4.95%	7.14%

Sector Allocation 12/31/04



Sector Allocation is based on Net Assets.
Sector Allocation is subject to change.

There are greater risks inherent in a fund that primarily invests in high yield bonds.

The performance data quoted represents past performance. Past performance is historical and does not guarantee future performance. Investment return and principal value will fluctuate, so that 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. For the most recent month-end performance information, visit www.nmfn.com.

This chart assumes an initial investment of \$10,000 made on 12/31/94. Returns shown include deductions for management and other portfolio expenses, and reinvestment of all dividends. Returns exclude deductions for separate account sales loads and account fees. Total returns, which reflect deduction of charges for the separate account are shown beginning on page iv of the Performance Summary of the Separate Account report.

Bonds and other debt obligations are affected by changes in interest rates, inflation risk and the creditworthiness of their issuers. High yield bonds generally have greater price swings and higher default risks than investment grade bonds. Return of principal is not guaranteed. In contrast to owning individual bonds, there are ongoing fees and expenses associated with owning shares of bond funds.

The total return performance for the High Yield Bond Portfolio has been shown in comparison with the Lehman Brothers High Yield Intermediate Market Index. The Lehman Brothers index is one of several appropriate measures of portfolio performance since it has a quality and maturity profile that resembles the High Yield Bond Portfolio. The index cannot be invested in directly and does not include sales charges. The Lehman Brothers High Yield Intermediate Market Index is made up of dollar-denominated, nonconvertible, SEC publicly registered fixed rate noninvestment grade issues. The bonds will have remaining maturities of between one and ten years and have an outstanding par value of at least \$100 million. Yankee and global bonds (SEC registered) of issuers in G-7 countries are included. Original issue zero coupon bonds and step-up coupon structures are also included; however, the index excludes pay-in-kind (PIK) bonds. Each bond must be rated Ba1 or lower by Moody's Investor Service. If a Moody's rating is unavailable, the bonds must be rated BB+ or lower by Standard & Poor's, or by Fitch if an S&P rating is unavailable. A few unrated bonds are included in the index; to be eligible they must have previously held a high yield rating or have been associated with a high yield issuer. The index is an unmanaged market value weighted index and measures the income provided by, and the price changes of, the underlying securities.

The Citigroup High Yield Cash Pay Index captures the performance of below-investment-grade debt issued by corporations domiciled in the United States or Canada. The index includes only cash-pay bonds (both registered and Rule 144A) with maturities of at least one year and a minimum amount outstanding of US\$100 million.

The fund is changing its benchmark index from the Lehman Brothers High Yield Intermediate Market Index to the Citigroup High Yield Cash Pay Index because the Citigroup Index provides greater transparency as to the composition and characteristics of the index than does the Lehman Brothers Index. The greater transparency allows the fund to enhance its analysis of performance relative to the benchmark.

The Lipper Variable Insurance Products (VIP) High Current Yield Funds Average is calculated by Lipper Analytical Services, Inc. and reflects the average investment return of portfolios underlying variable life and annuity products. The category consists of Funds that aim at high (relative) current yields from fixed income securities, have no quality or maturity restrictions, and tend to invest in lower grade debt issues. Source: Lipper, Inc.

Expense Example

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management 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 period and held for the entire period (July 1, 2004 to December 31, 2004).

Actual Expenses

The first 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 first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second 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 transactional costs. Therefore, the second 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 transactional costs were included, your costs would have been higher.

	Beginning Account Value July 1, 2004	Ending Account Value December 31, 2004	Expenses Paid During Period July 1, 2004 to December 31, 2004*
Actual	\$1,000.00	\$1,096.80	\$2.58
Hypothetical (5% return before expenses)	\$1,000.00	\$1,022.37	\$2.49

* Expenses are equal to the Fund's annualized expense ratio of 0.49%, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period).

High Yield Bond Portfolio

Northwestern Mutual Series Fund, Inc.

Schedule of Investments

December 31, 2004

Bonds (95.0%)	Shares/ \$ Par	Value \$ (000's)	Bonds (95.0%)	Shares/ \$ Par	Value \$ (000's)
Autos/Vehicle Parts (4.7%)			Packaging/Containers continued		
Affinia Group, Inc., 9.00%, 11/30/14 144A	557,000	581	Owens-Brockway Glass Containers, 6.75%, 12/1/14 144A	1,064,000	1,075
Collins & Aikman Products, 10.75%, 12/31/11	1,325,000	1,352	Pliant Corp., 11.125%, 9/1/09	1,617,000	1,763
Cooper Tire & Rubber Co., 8.375%, 12/15/14 144A	1,875,000	1,870	Total		6,924
Delco Remy International, Inc., 9.375%, 4/15/12	937,000	960	Paper & Forest Products (2.1%)		
HLI Operating Co., 10.50%, 6/15/10	1,495,000	1,603	Abitibi-Consolidated, Inc., 7.75%, 6/15/11	1,297,000	1,362
The Pep Boys — Manny, Moe & Jack, 7.50%, 12/15/14	750,000	760	Ainsworth Lumber Co., Ltd., 7.25%, 10/1/12 144A	1,062,000	1,081
(e)Standadyne Corp., 0.00%, 2/15/15 144A	2,530,000	1,496	Appleton Papers, Inc., 8.125%, 6/15/11	656,000	707
Tenneco Automotive, Inc., 8.625% 11/15/14 144A	1,000,000	1,040	Appleton Papers, Inc., 9.75%, 6/15/14	750,000	829
Visteon Corp., 7.00%, 3/10/14	1,111,000	1,061	Neenah Paper, Inc., 7.375%, 11/15/14 144A	751,000	762
Total Autos/Vehicle Parts		10,723	Total		4,741
Basic Materials (12.5%)			Total Basic Materials		28,533
Chemicals (6.0%)			Builders/Building Materials (4.3%)		
BCP Caylux Holding, 9.625%, 6/15/14 144A	1,889,000	2,130	Building Materials (2.8%)		
Borden US Fin/Nova Scot, 9.00%, 7/15/14 144A	562,000	624	Goodman Global Holdings, 7.875%, 12/15/12 144A	1,877,000	1,858
Crompton Corp., 9.875%, 8/1/12 144A	937,000	1,073	Integrated Electrical Services, Inc., 9.375%, 2/1/09	1,450,000	1,363
Huntsman International, LLC, 7.375%, 1/1/15 144A	1,125,000	1,128	Ply Gem Industries, Inc., 9.00%, 2/15/12 144A	1,485,000	1,507
Huntsman LLC, 11.50%, 7/15/12 144A	1,125,000	1,330	RMCC Acquisition Co., 9.50%, 11/1/12 144A	862,000	860
Huntsman LLC, 11.625%, 10/15/10	750,000	887	THL BuildCo, Inc., 8.50%, 9/1/14 144A	755,000	789
Invista, 9.25%, 5/1/12 144A	2,000,000	2,229	Total		6,377
(e)KI Holdings, Inc., 0.00%, 11/15/14 144A	2,250,000	1,440	Home Builders (1.5%)		
Rockwood Specialties Group, Inc., 10.265%, 5/15/11	1,725,000	1,984	William Lyon Homes, 7.50%, 2/15/14	1,125,000	1,080
Terra Capital Corp., 11.50%, 6/1/10	682,000	777	William Lyon Homes, 7.625%, 12/15/12 144A	525,000	513
Total		13,602	Technical Olympic USA, Inc., 7.50%, 3/15/11	1,125,000	1,133
Metals/Mining (1.4%)			Technical Olympic USA, Inc., 9.00%, 7/1/10	750,000	803
Asia Aluminum Holdings, Ltd., 8.00%, 12/23/11 144A	610,000	616	Total		3,529
IMCO Recycling Escrow, 9.00%, 11/15/14 144A	1,250,000	1,300	Total Builders/Building Materials		9,906
Ispat Inland ULC, 9.75%, 4/1/14	255,000	315	Capital Goods (7.2%)		
Ryerson Tull, Inc., 8.25%, 12/15/11 144A	1,025,000	1,035	Ames True Temper, Inc., 10.00%, 7/15/12	1,876,000	1,923
Total		3,266	Amsted Industries, Inc., 10.25%, 10/15/11 144A	1,825,000	2,061
Packaging/Containers (3.0%)			Bombardier Recreational, 8.375%, 12/15/13	1,350,000	1,441
Anchor Glass Container, 11.00%, 2/15/13	940,000	1,006	Coleman Cable, Inc., 9.875%, 10/1/12 144A	1,125,000	1,195
(e)Consolidated Container Co., 9.00%, 6/15/09	1,125,000	945			
Graham Packaging Co., 9.875%, 10/15/14 144A	2,001,000	2,135			

High Yield Bond Portfolio

Bonds (95.0%)	Shares/ \$ Par	Value \$ (000's)
Capital Goods continued		
Columbus McKinnon Corp., 10.00%, 8/1/10	925,000	1,041
DA-Lite Screen Co., Inc., 9.50%, 5/15/11	1,800,000	1,980
Douglas Dynamics LLC, 7.75%, 1/15/12 144A	875,000	887
ITRON, Inc., 7.75%, 5/15/12 144A	1,125,000	1,145
Park-Ohio Industries, Inc., 8.375%, 11/15/14 144A	1,502,000	1,502
Rexnord Corp., 10.125%, 12/15/12	750,000	848
Sup Essx Com & Essx Group, 9.00%, 4/15/12	1,439,000	1,482
Trimas Corp., 9.875%, 6/15/12	975,000	1,034
Total Capital Goods		16,539
Consumer Products/Retailing (13.6%)		
Consumer Products (6.8%)		
American Achievement Corp., 8.25%, 4/1/12	875,000	908
Amscan Holdings, Inc., 8.75%, 5/1/14	1,688,000	1,688
Coinmach Corp., 9.00%, 2/1/10	1,297,000	1,355
Hines Nurseries, Inc., 10.25%, 10/1/11	1,314,000	1,436
Jafra Cosmetics, 10.75%, 5/15/11	1,100,000	1,243
(e)Jostens Holding Corp., 10.25%, 12/1/13	925,000	657
Jostens IH Corp., 7.625%, 10/1/12 144A	844,000	878
Playtex Products, Inc., 9.375%, 6/1/11	2,061,000	2,201
Samsonite Corp., 8.875%, 6/1/11	1,807,000	1,956
Sealy Mattress Co., 8.25%, 6/15/14	1,119,000	1,186
(e)Simmons Co., 0.00%, 12/15/14 144A	2,925,000	1,784
Total		15,292
Retail Food & Drug (2.3%)		
Jean Coutu Group, Inc., 8.50%, 8/1/14 144A	1,625,000	1,666
Rite Aid Corp., 9.25%, 6/1/13	1,914,000	1,933
Stater Brothers Holdings, 8.125%, 6/15/12	1,640,000	1,734
Total		5,333
Retail Stores (1.2%)		
Blockbuster, Inc., 9.00%, 9/1/12 144A	1,689,000	1,668
Finlay Fine Jewelry Corp., 8.375%, 6/1/12	1,062,000	1,147
Total		2,815
Textile/Apparel (3.3%)		
Levi Strauss & Co., 9.75%, 1/15/15 144A	1,375,000	1,361
Oxford Industries, Inc., 8.875%, 6/1/11	1,693,000	1,818
Perry Ellis International, Inc., 8.875%, 9/15/13	750,000	788
Phillips Van Heusen, 7.25%, 2/15/11	1,500,000	1,575
Propex Fabrics, Inc., 10.00%, 12/1/12 144A	1,878,000	1,948
Total		7,490
Total Consumer Products/Retailing		30,930

Bonds (95.0%)	Shares/ \$ Par	Value \$ (000's)
Energy (2.6%)		
Gas Pipelines/Oil Field Services (0.8%)		
Hanover Equipment Trust 01 A, 0.00%, 3/31/07	750,000	653
Parker Drilling Co., 9.625%, 10/1/13	1,125,000	1,262
Total		1,915
Oil & Gas Exploration/Production (1.3%)		
Chesapeake Energy Corp., 6.375%, 6/15/15 144A	938,000	964
Harvest Operations Corp., 7.875%, 10/15/11 144A	470,000	474
Stone Energy Corp., 6.75%, 12/15/14 144A	500,000	499
Venoco, Inc., 8.75%, 12/15/11 144A	938,000	966
Total		2,903
Oil Refining & Marketing (0.5%)		
United Refining Co., 10.50%, 8/15/12 144A	1,125,000	1,189
Total		1,189
Total Energy		6,007
Financials (3.0%)		
Financials Services (1.7%)		
Dollar Financial Group, 9.75%, 11/15/11	1,125,000	1,221
LaBranche and Co., 11.00%, 5/15/12	936,000	1,006
Refco Finance Holdings, 9.00%, 8/1/12 144A	1,500,000	1,643
Total		3,870
Insurance (1.3%)		
Crum and Forster Holding Corp., 10.375%, 6/15/13	925,000	1,031
Fairfax Financial Holdings, 7.75%, 4/26/12	1,877,000	1,914
Total		2,945
Total Financials		6,815
Foods (5.2%)		
Food/Beverage/Tobacco (4.3%)		
B&G Foods, Inc., 8.00%, 10/1/11	939,000	1,000
Chiquita Brands International, 7.50%, 11/1/14 144A	628,000	636
Gold Kist, Inc., 10.25%, 3/15/14	604,000	707
Land O Lakes, Inc., 9.00%, 12/15/10	1,503,000	1,646
Merisant Co., 9.50%, 7/15/13 144A	1,125,000	1,001
North Atlantic Trading, 9.25%, 3/1/12	1,500,000	1,268
Pinnacle Foods Holding, 8.25%, 12/1/13 144A	1,539,000	1,466
Standard Commercial Corp., 8.00%, 4/15/12	1,375,000	1,413
(e)Tabletop Holdings, 12.25%, 5/15/14 144A	1,875,000	797
Total		9,934

High Yield Bond Portfolio

Bonds (95.0%)	Shares/ \$ Par	Value \$ (000's)	Bonds (95.0%)	Shares/ \$ Par	Value \$ (000's)
Restaurants (0.9%)			Health Care/Pharmaceuticals continued		
Buffets, Inc., 11.25%, 7/15/10	1,916,000	2,049	US Oncology, Inc., 9.00%, 8/15/12		
Total		2,049	144A	1,501,000	1,677
Total Foods		11,983	Vanguard Health Holding II,		
			9.00%, 10/1/14 144A	2,002,000	2,141
Gaming/Leisure/Lodging (8.7%)			Ventas Realty, Ltd. Partnership,		
Gaming (4.8%)			9.00%, 5/1/12	750,000	875
American Casino & Entertainment,			Total Health Care/Pharmaceuticals		14,032
7.85%, 2/1/12	975,000	1,036			
Herbst Gaming, Inc.,			Media (6.9%)		
7.00%, 11/15/14 144A	450,000	456	Broadcasting (0.5%)		
(d)Hollywood Casino Shreveport,			Sinclair Broadcast Group,		
13.00%, 8/1/06	700,000	592	8.00%, 3/15/12	1,132,000	1,203
Inn of the Mountain Gods,			Total		1,203
12.00%, 11/15/10	743,000	869			
Majestic Star Casino LLC,			Cable/Satellite (5.6%)		
9.50%, 10/15/10	1,460,000	1,548	Cablevision Systems Corp.,		
Resort Intl. Hotel/Casino,			8.00%, 4/15/12 144A	1,875,000	2,001
11.50%, 3/15/09	1,000,000	1,175	Echostar DBS Corp.,		
River Rock Entertainment,			6.625%, 10/1/14 144A	1,250,000	1,266
9.75%, 11/1/11	1,125,000	1,261	Insight Midwest, 9.75%, 10/1/09	950,000	995
Wheeling Island Gaming,			Kabel Deutschland GMBH,		
10.125%, 12/15/09	1,125,000	1,198	10.625%, 7/1/14 144A	1,500,000	1,725
Wynn Las Vegas LLC/Corp.,			MediaCom LLC, 9.50%, 1/15/13	1,875,000	1,882
6.625%, 12/1/14 144A	3,005,000	2,976	NTL Cable PLC, 8.75%, 4/15/14 144A	750,000	846
Total		11,111	Panamsat Corp., 9.00%, 8/15/14 144A	1,250,000	1,395
			(e)Panamsat Holding Corp.,		
Leisure (3.9%)			0.00%, 11/1/14 144A	938,000	645
AMC Entertainment, Inc.,			Roger's Cable, Inc., 6.25%, 6/15/13	776,000	778
9.875%, 2/1/12	1,879,000	2,048	Rogers Cable, Inc., 6.75%, 3/15/15		
Intrawest Corp., 7.50%, 10/15/13 144A	853,000	907	144A	1,127,000	1,152
LCE Acquisition Corp.,			Total		12,685
9.00%, 8/1/14 144A	1,625,000	1,759			
Universal City Development Corp.,			Publishing (0.8%)		
11.75%, 4/1/10	1,813,000	2,142	Dex Media, Inc., 8.00%, 11/15/13	750,000	812
Universal City Florida,			WDAC Subsidiary Corp.,		
8.375%, 5/1/10 144A	750,000	778	8.375%, 12/1/14 144A	1,126,000	1,111
WMG Holdings Corp.,			Total		1,923
6.905%, 12/15/11 144A	1,250,000	1,259	Total Media		15,811
Total		8,893			
Total Gaming/Leisure/Lodging		20,004	Services (3.0%)		
			Environmental Services (1.1%)		
Health Care/Pharmaceuticals (6.1%)			Allied Waste North America,		
Alliance Imaging, Inc.,			7.375%, 4/15/14	2,629,000	2,516
7.25%, 12/15/12 144A	1,250,000	1,272	Total		2,516
General Nutrition Center, 8.5%, 12/1/10	1,875,000	1,772			
Iasis Healthcare Corp., 8.75%, 6/15/14	1,547,000	1,686	Services — Other (1.9%)		
Medcath Holdings Corp.,			Alderwoods Group, Inc.,		
9.875%, 7/15/12	1,312,000	1,424	7.75%, 9/15/12 144A	619,000	669
Omega Healthcare Investors,			Buhrmann U.S., Inc., 8.25%, 7/1/14	937,000	948
7.00%, 4/1/14	750,000	771	Petro Stopping Center, 9.00%, 2/15/12	1,125,000	1,190
Tenet Healthcare Corp.,			United Rentals NA, Inc.,		
9.875%, 7/1/14 144A	1,499,000	1,634	6.50%, 2/15/12	1,626,000	1,585
Universal Hospital Service,			Total		4,392
10.125%, 11/1/11	750,000	780	Total Services		6,908
			Technology (1.9%)		
			Amkor Technologies, Inc.,		
			7.125%, 3/15/11	1,500,000	1,410

High Yield Bond Portfolio

Bonds (95.0%)	Shares/ \$ Par	Value \$ (000's)	Bonds (95.0%)	Shares/ \$ Par	Value \$ (000's)
Technology continued			Utilities (2.8%)		
Magnachip Semiconductor, 8.00%, 12/15/14 144A	1,125,000	1,173	Aquila, Inc., 9.95%, 2/1/11	1,125,000	1,275
Stats Chippac, Inc., 6.75%, 11/15/11 144A	1,062,000	1,051	Midwest Generation LLC, 8.75%, 5/1/34	935,000	1,061
Xerox Corp., 7.20%, 4/1/16	751,000	804	NRG Energy, Inc., 8.00%, 12/15/13 144A	900,000	981
Total Technology		4,438	Reliant Energy, Inc., 6.75%, 12/15/14	844,000	839
Telecommunications (9.4%)			Sierra Pacific Resources, 8.625%, 3/15/14	1,125,000	1,271
Telecommunications — Wireless (4.0%)			Utilicorp Canada Finance, 7.75% 6/15/11	940,000	976
Alamosa Delaware, Inc., 8.50%, 1/31/12	750,000	819	Total Utilities		6,403
Centennial Communications, 8.125%, 2/1/14	2,000,000	2,055	Total Bonds		217,775
(e)IWO Escrow Co., 0.00%, 1/15/15 144A	938,000	582	(Cost: \$208,462)		
Nextel Communications, 6.875%, 10/31/13	835,000	906	Preferred Stocks (0.0%)		
Rogers Wireless, Inc., 6.375%, 3/1/14	938,000	929	Media (0.0%)		
Rogers Wireless, Inc., 7.25%, 12/15/12 144A	501,000	531	PTV Inc.	23	0
Rogers Wireless, Inc., 8.00%, 12/15/12 144A	470,000	497	Total Preferred Stocks		0
SBA Communications Corp., 8.50%, 12/1/12 144A	1,313,000	1,339	(Cost: \$0)		
US Unwired, Inc., 10.00%, 6/15/12	1,312,000	1,479	Common Stocks and Warrants (0.5%)		
Total		9,137	Foods (0.5%)		
Telecommunications — Wireline (5.4%)			B&G Foods, Inc. — EIS	62,623	938
(e)AT&T Corp., 9.75%, 11/15/31	1,876,000	2,239	Total Foods		938
Citizens Communications, 9.00% 8/15/31	1,879,000	2,147	Media (0.0%)		
MCI, Inc., 7.735%, 5/1/14	2,820,000	3,032	NTL, Inc.	12	0
Qwest Communications International, 7.25%, 2/15/11 144A	1,125,000	1,153	Total Media		0
Qwest Communications International, 7.50%, 11/1/08 B	375,000	371	Telecommunications (0.0%)		
Qwest Corp., 7.875%, 9/1/11 144A	1,562,000	1,695	American Tower Corp. — Warrants	2,900	67
Qwest Services Corp., Inc., 12/15/10, 13.50% 144A	795,000	956	Horizon PCS, Inc. — Warrant 144A	2,000	0
Securus Technologies, Inc., 11.00%, 9/1/11 144A	937,000	937	IWO Holdings, Inc. 144A	1,150	0
Total		12,530	Total Telecommunications		67
Total Telecommunications		21,667	Transportation (0.0%)		
Transportation (3.1%)			RailAmerica Transportation Corp.	1,400	102
Horizon Lines LLC, 9.00%, 11/1/12 144A	845,000	908	Total Transportation		102
Laidlaw International, Inc., 10.75%, 6/15/11	708,000	827	Total Common Stocks and Warrants		1,107
OMI Corp., 7.625%, 12/1/13	1,125,000	1,204	(Cost: \$1,344)		
Ship Finance International, Ltd., 8.50%, 12/15/13	1,225,000	1,261			
Stena AB, 9.625%, 12/1/12	1,075,000	1,214			
Stena AB, 7.50%, 11/1/13	750,000	786			
TFM SA DE C V, 12.50%, 6/15/12	750,000	876			
Total Transportation		7,076			

High Yield Bond Portfolio

	Shares/ \$ Par	Value \$ (000's)
Money Market Investments (3.1%)		
Personal Credit Institutions (3.1%)		
(b)CXC, Inc., 2.20%, 1/3/05	7,200,000	<u>7,199</u>
Total Money Market Investments (Cost: \$7,199)		<u>7,199</u>
Total Investments (98.6%) (Cost \$217,005)(a)		<u>226,081</u>
Other Assets, Less Liabilities (1.4%)		<u>3,231</u>
Total Net Assets (100.0%)		<u>\$229,312</u>

144A after the name of a security represents a security exempt from registration under Rule 144A of the securities Act of 1933. These securities may be resold as transactions exempt from registration, normally to qualified institutional buyers. At December 31, 2004, the value of these securities was \$91,674, representing 39.98% of net assets.

- (a) At December 31, 2004 the aggregate cost of securities for federal tax purposes (in thousands) was \$217,005 and the net unrealized appreciation of investments based on that cost was \$9,076 which is comprised of \$10,806 aggregate gross unrealized appreciation and \$1,730 aggregate gross unrealized depreciation.
- (b) All or a portion of the securities have been committed as collateral for open futures or when-issued securities.
- (d) Defaulted Security
- (e) Step bond security that presently receives no coupon payment. At the predetermined date, the stated coupon rate becomes effective.

The Accompanying Notes are an Integral Part of the Financial Statements

Select Bond Portfolio

Objective:

A stable and relatively high level of long-term total return and preservation of capital

Portfolio Strategy:

Invest in high grade corporate bonds, U.S. government bonds and bonds of government agencies.

Net Assets:

\$661 million

The primary investment objective of the Select Bond Portfolio is to realize as high a level of total return as is consistent with prudent investment risk. A secondary objective is to seek preservation of shareholders' capital. The Select Bond Portfolio's assets are invested primarily in debt securities that are rated investment grade by at least one major rating agency.

For the year ended December 31, 2004, the Select Bond Portfolio had a total return of 4.75%, outperforming the Merrill Lynch Domestic Master Index (a broadly-based bond index), which returned 4.34% for the year. (This Index is unmanaged, cannot be invested in directly and does not include administrative expenses or sales charges.) The average return for the Portfolio's peer group, Corporate Debt Funds A Rated, was 4.22% for the same period, according to Lipper Analytical Services, Inc. ("Lipper"), an independent mutual fund ranking agency.

The bond market posted positive returns in 2004, and high yield bonds significantly outperformed investment grade bonds for a second year in a row. However, there were significant fluctuations in bond returns during the course of the year. Beginning in April of 2004, short-term interest rates began to rise after a sustained period in which they had remained at 45-year lows. With rates on the rise, the second quarter of 2004 was the worst quarter for bond returns since 1980. Bonds reversed course in the third quarter — an unusual time in which bond prices rose while short-term interest rates were moving up — and after delivering negative returns the previous quarter, bonds had their best quarter in two years.

The fourth quarter of 2004 was typified by generally rising yields, with the rise most acute at the front end of the yield curve, and the yield curve continued to flatten. With the economy seemingly on stable footing — growing not too fast and not too slow — the incremental yields of both high grade corporates and high yield bonds looked appealing. Overall for the year, the Treasury yield curve flattened and corporate credit spreads tightened as bond investors looking for higher yields took on more credit risk rather than locking in longer term bonds.

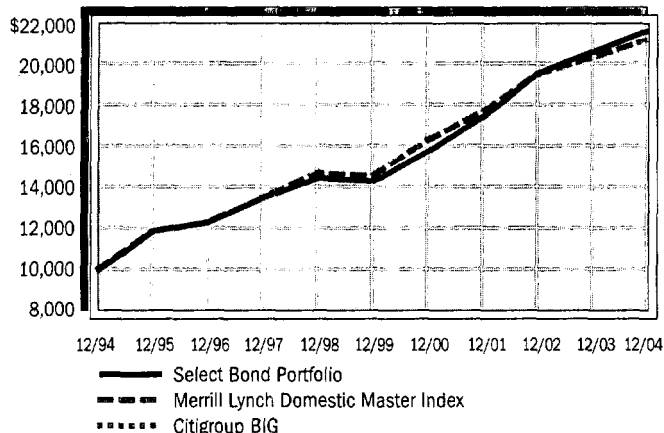
The Select Bond Portfolio's outperformance compared to the Index can be attributed in large part to maintaining a more favorable bias in favor of lower interest rates. Early in 2004, the consensus expectation was for higher interest rates. While the bond market experienced volatility during the year, rates ended the year slightly lower from the beginning of the year. Consequently, the Portfolio's longer duration added value this year. The Portfolio's favorable interest rate positioning was slightly offset by its underweight to corporate bonds which outperformed during 2004. Within the corporate sector, the Portfolio was positioned in higher quality corporates at a time when lower quality bonds performed better. Being underweight mortgage-backed securities also negatively impacted the performance of the Portfolio, but individual security selections in the mortgage-backed sector outperformed.

At year end 2004, the Portfolio had a higher weighting in corporate bonds and mortgage-backed securities, a slightly more aggressive quality mix of corporate bonds and a slightly shorter duration. As of December 31, 2004, 36% of the Select Bond Portfolio's assets were in Government and Government Agency securities, 42% in Corporate Bonds, 4% in Short-term Investments and Other Assets, and 18% in Mortgage-Backed and Asset-Backed securities.

Heading into 2005, we see the fundamentals in the economy as sound, and the major sectors of the fixed income market appear to be fully valued on a spread basis. Corporate earnings are good and the default risk is low, and we believe spreads will be maintained and interest rates will rise only modestly in the early part of the year. We will continue to look for opportunities to effectuate the Portfolio's primary investment strategy — to actively manage the Portfolio to take advantage of changes in interest rates and sector, quality, and maturity spread differentials of fixed income securities as we seek as high a level of total return as is consistent with prudent investment risk.

Select Bond Portfolio

Relative Performance



Average Annual Total Return
For Periods Ended December 31, 2004

	1 Year	5 Years	10 Years
Select Bond Portfolio	4.75%	8.54%	7.96%
Merrill Lynch Domestic Master Index	4.34%	7.74%	7.74%
Citigroup Broad Investment Grade Index	4.48%	7.73%	7.74%
Corporate Debt Funds A Rated Funds			
Lipper Average	4.22%	7.06%	7.22%

The performance data quoted represents past performance. Past performance is historical and does not guarantee future performance. Investment return and principal value will fluctuate, so that 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. For the most recent month-end performance information, visit www.nmfn.com.

This chart assumes an initial investment of \$10,000 made on 12/31/94. Returns shown include deductions for management and other portfolio expenses, and reinvestment of all dividends. Returns exclude deductions for separate account sales loads and account fees. Total returns, which reflect deduction of charges for the separate account are shown beginning on page iv of the Performance Summary of the Separate Account report.

Bonds and other debt obligations are affected by changes in interest rates, inflation risk and the creditworthiness of their issuers. High yield bonds generally have greater price swings and higher default risks than investment grade bonds. Return of principal is not guaranteed. In contrast to owning individual bonds, there are ongoing fees and expenses associated with owning shares of bond funds.

Since the Portfolio invests broadly in U.S. Government, mortgage and corporate bonds, a useful basis for comparing returns has been the Merrill Lynch Domestic Master Index. The Merrill Lynch Domestic Master Index is an unmanaged market value weighted index comprised of U.S. Government, mortgage and investment-grade corporate bonds. The Index measures the income provided by, and the price changes of, the underlying securities. The Index cannot be invested in directly and does not include sales charges.

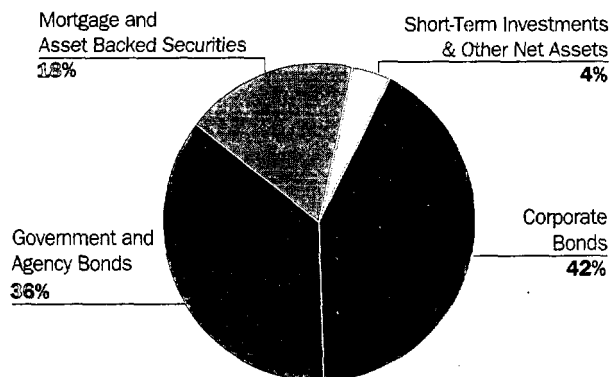
The fund is changing its benchmark index from the Merrill Lynch Domestic Master Index to the Citigroup U.S. Broad Investment Grade Bond Index because the Citigroup Index provides greater transparency as to the composition and characteristics of the index than does the Merrill Lynch Index. The greater transparency allows the fund to enhance its analysis of performance relative to the benchmark.

The Citigroup U.S. Broad Investment Grade Bond Index is designed to track the performance of bonds issued in the U.S. investment-grade bond market. The index is market-capitalization-weighted and includes fixed-rate Treasury, government-sponsored, mortgage, asset-backed, and investment-grade (BBB-/Baa3) issues with a maturity of one year or longer and a minimum amount outstanding of US\$1 billion for Treasuries, US\$5 billion for mortgages, and US\$200 million for credit, asset-backed, and government-sponsored issues.

The Lipper Variable Insurance Products (VIP) Corporate Debt Funds A Rated Average is calculated by Lipper Analytical Services, Inc. and reflects the average investment return of portfolios underlying variable life and annuity products. The category consists of Funds that invest primarily in corporate debt issues rated "A" or better or government issues.

Source: Lipper, Inc.

Sector Allocation 12/31/04



Percentage Holdings are based on Net Assets.
Percentage Holdings are subject to change.

The Corporate Bonds sector includes bonds of companies headquartered outside the United States. The Government and Government Agencies category includes taxable bonds of domestic and foreign governments. Consistent with the Portfolio's stated parameters, no more than 10% of the Portfolio is invested in foreign securities, and no more than 10% is invested in high-yield securities.

Expense Example

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management 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 period and held for the entire period (July 1, 2004 to December 31, 2004).

Actual Expenses

The first 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 first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second 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 transactional costs. Therefore, the second 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 transactional costs were included, your costs would have been higher.

	Beginning Account Value July 1, 2004	Ending Account Value December 31, 2004	Expenses Paid During Period July 1, 2004 to December 31, 2004*
Actual	\$1,000.00	\$1,046.00	\$1.54
Hypothetical (5% return before expenses)	\$1,000.00	\$1,023.32	\$1.53

* Expenses are equal to the Fund's annualized expense ratio of 0.30%, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period).

Select Bond Portfolio

Northwestern Mutual Series Fund, Inc.

Schedule of Investments

December 31, 2004

	Shares/ \$ Par	Value \$ (000's)		Shares/ \$ Par	Value \$ (000's)
Revenue Bonds (0.4%)			Corporate Bonds (42.1%)		
Municipal Bonds — Revenue (0.4%)			Chemicals and Allied Products (0.3%)		
Nashville & Davidson County, Tennessee Health and Educational Facilities Board of The Metropolitan Government, 0.00%, 6/1/21, RB	6,500,000	<u>2,964</u>	Monsanto Co., 4.00%, 5/15/08	2,275,000	<u>2,282</u>
Total Revenue Bonds		<u>2,964</u>	Total		<u>2,282</u>
(Cost: \$2,837)			Commercial Banks (5.8%)		
Corporate Bonds (42.1%)			Bank of America Corp., 5.375%, 6/15/14	740,000	772
Auto Related (3.0%)			Bank of America Corp., 7.40%, 1/15/11	1,133,000	1,312
American Honda Finance, 4.50%, 5/26/09 144A	4,120,000	4,192	Bank One Corp., 5.25%, 1/30/13	4,000,000	4,108
Ford Motor Credit Co., 5.70%, 1/15/10	1,230,000	1,241	Citigroup, Inc., 4.50%, 7/29/09	3,450,000	3,487
Ford Motor Credit Co., 7.375%, 10/28/09	1,900,000	2,049	HBOS Treasury Services PLC, 4.00%, 9/15/09 144A	3,400,000	3,390
General Motors Acceptance Corp., 5.625%, 5/15/09	2,450,000	2,450	Key Bank NA, 5.80%, 7/1/14	2,970,000	3,145
General Motors Acceptance Corp., 6.75%, 12/1/14	1,275,000	1,277	PNC Bank NA, 5.25%, 1/15/17	4,400,000	4,439
Household Finance Corp., 4.125%, 11/16/09	2,330,000	2,317	Rabobank Capital Fund II, 5.26%, 12/31/13 144A	2,470,000	2,513
Toyota Motor Credit Corp., 2.70%, 1/30/07	2,500,000	2,464	Royal Bank of Scotland Group PLC, 5.05%, 1/8/15	5,320,000	5,378
Toyota Motor Credit Corp., 5.65%, 1/15/07	4,000,000	<u>4,172</u>	UnionBanCal Corp., 5.25%, 12/16/13	500,000	507
Total		<u>20,162</u>	US Bank NA, 4.95%, 10/30/14	3,065,000	3,076
Automobiles And Other Motor Vehicles (0.6%)			Wachovia Bank NA, 4.80%, 11/1/14	1,725,000	1,714
Ford Motor Co., 7.45%, 7/16/31	800,000	805	Wells Fargo & Co., 4.20%, 1/15/10	5,000,000	<u>5,020</u>
General Motors Corp., 8.375%, 7/15/33	2,800,000	<u>2,901</u>	Total		<u>38,861</u>
Total		<u>3,706</u>	Computer and Other Data Processing Service (0.8%)		
Beverages, Malt Beverages (2.4%)			Gtech Holdings Corp., 4.75%, 10/15/10	5,510,000	<u>5,531</u>
Anheuser-Busch Companies, Inc., 7.00%, 12/1/25	4,200,000	4,450	Total		<u>5,531</u>
Anheuser-Busch Companies, Inc., 7.50%, 3/15/12	378,000	450	Consumer Non-Cyclical (1.8%)		
Coca-Cola Enterprises, Inc., 5.25%, 5/15/07	5,000,000	5,197	The Clorox Co., 4.20%, 1/15/10 144A	2,200,000	2,211
Coca-Cola Enterprises, Inc., 5.375%, 8/15/06	1,500,000	1,548	The Clorox Co., 5.00%, 1/15/15 144A	1,380,000	1,404
Coca-Cola Enterprises, Inc., 5.75%, 3/15/11	4,000,000	<u>4,322</u>	Estee Lauder, Inc., 5.75%, 10/15/33	1,800,000	1,851
Total		<u>15,967</u>	The Gillette Co., 2.50%, 6/1/08	3,300,000	3,208
Broad Woven Fabric Mills, Manmade (0.1%)			Johnson & Johnson, Inc., 6.625%, 9/1/09	2,750,000	<u>3,061</u>
(d)Polysindo International Finance, 11.375%, 6/15/06	4,200,000	<u>378</u>	Total		<u>11,735</u>
Total		<u>378</u>	Crude Petroleum and Natural Gas (1.9%)		
Cable and Other Pay Television Services (0.6%)			Conoco Funding Co., 6.35%, 10/15/11	3,330,000	3,717
Comcast Corp., 5.30%, 1/15/14	2,500,000	2,579	Occidental Petroleum, 4.00%, 11/30/07	1,500,000	1,510
Time Warner Entertainment Co., 8.375%, 7/15/33	830,000	<u>1,072</u>	Occidental Petroleum, 7.65%, 2/15/06	2,330,000	2,439
Total		<u>3,651</u>	Occidental Petroleum, 8.45%, 2/15/29	1,430,000	1,937
			Occidental Petroleum, 10.125%, 9/15/09	1,000,000	1,234
			XTO Energy Inc., 5.00%, 1/31/15 144A	1,670,000	<u>1,660</u>
			Total		<u>12,497</u>
			Data Processing and Preparation (0.7%)		
			First Data Corp., 3.90%, 10/1/09	4,500,000	<u>4,483</u>
			Total		<u>4,483</u>
			Eating Places (0.4%)		
			McDonald's Corp., 3.875%, 8/15/07	1,550,000	1,555
			McDonald's Corp., 5.375%, 4/30/07	1,200,000	<u>1,251</u>
			Total		<u>2,806</u>

Select Bond Portfolio

Corporate Bonds (42.1%)	Shares/ \$ Par	Value \$ (000's)
Electric Services (2.8%)		
FPL Group Capital, Inc., 4.086%, 2/16/07	1,870,000	1,890
Indiana Michigan Power, 5.05%, 11/15/14	1,560,000	1,559
Kiowa Power Partners LLC, 4.811%, 12/30/13 144A	890,000	892
Kiowa Power Partners LLC, 5.737%, 3/30/21 144A	2,525,000	2,535
Oncor Electric Delivery, 6.375%, 1/15/15	810,000	892
PacifiCorp, 5.45%, 9/15/13	3,000,000	3,140
PPL Electric Utilities Corp., 4.30%, 6/1/13	4,900,000	4,730
Public Service Electric & Gas Corp., 5.00%, 1/1/13	1,000,000	1,021
Virginia Electric & Power Co., 5.25%, 12/15/15	2,275,000	2,313
Total		18,972
Electrical Equipment and Supplies (0.6%)		
Cooper Industries, Inc., 5.50%, 11/1/09	4,000,000	4,232
Total		4,232
Federal Savings Institutions (0.6%)		
World Savings Bank FSB, 4.125%, 12/15/09	4,000,000	4,001
Total		4,001
Fire, Marine and Casualty Insurance (2.0%)		
Berkley (WR) Corp., 9.875%, 5/15/08	2,860,000	3,362
Berkshire Hathaway, Inc., 4.625%, 10/15/13	5,980,000	5,962
Berkshire Hathaway, Inc., 5.10%, 7/15/14 144A	900,000	922
Berkshire Hathaway, Inc., 3.40%, 7/2/07 144A	1,500,000	1,496
Progressive Corp., 6.375%, 1/15/12	1,415,000	1,562
Total		13,304
Gas Transmission And Distribution (0.4%)		
Consolidated Natural Gas Co., 5.00%, 12/1/14	2,345,000	2,347
Total		2,347
Media (0.6%)		
Time Warner, Inc., 6.875%, 5/1/12	1,670,000	1,902
Viacom, Inc., 5.625%, 8/15/12	1,670,000	1,786
Total		3,688
Miscellaneous Business Credit Institutions (0.2%)		
Textron Financial Corp., 2.75%, 6/1/06	1,300,000	1,284
Total		1,284
Motors and Generators (0.7%)		
Emerson Electric Co., 4.50%, 5/1/13	1,055,000	1,046
Emerson Electric Co., 5.75%, 11/1/11	796,000	863
Emerson Electric Co., 5.85%, 3/15/09	2,400,000	2,574
Total		4,483

Corporate Bonds (42.1%)	Shares/ \$ Par	Value \$ (000's)
Personal Credit Institutions (0.5%)		
SLM Corp., 4.00%, 1/15/10	3,020,000	2,997
Total		2,997
Petroleum Refining (0.5%)		
Amerada Hess Corp., 7.125%, 3/15/33	1,670,000	1,836
Valero Energy Corp., 4.75%, 6/15/13	1,670,000	1,650
Total		3,486
Pharmaceutical Preparations (2.6%)		
Abbott Laboratories, 3.75%, 3/15/11	2,480,000	2,430
Astrazeneca PLC, 5.40%, 6/1/14	3,570,000	3,754
GlaxoSmithKline Capital, Inc., 4.375%, 4/15/14	3,530,000	3,439
Merck & Co., Inc., 6.40%, 3/1/28	315,000	343
Merck & Co., Inc. 5.95%, 12/1/28	2,306,000	2,387
Pfizer, Inc., 4.50%, 2/15/14	1,750,000	1,731
Pfizer, Inc., 5.625%, 2/1/06	1,875,000	1,925
Pfizer, Inc., 5.625%, 4/15/09	1,100,000	1,169
Total		17,178
Phone Communications Except Radiophone (2.3%)		
BellSouth Corp., 5.20%, 9/15/14	3,330,000	3,394
SBC Communications, Inc., 5.10%, 9/15/14	3,250,000	3,280
Sprint Capital Corp., 8.375%, 3/15/12	3,330,000	4,056
Telecom Italia Capital, 4.95%, 9/30/14 144A	1,300,000	1,274
Verizon Global Funding Corp., 4.375%, 6/1/13	3,330,000	3,245
Total		15,249
Radio,TV Electronic Stores (1.1%)		
RadioShack Corp., 6.95%, 9/1/07	1,500,000	1,623
RadioShack Corp., 7.375%, 5/15/11	4,885,000	5,552
Total		7,175
Railroads, Line-Haul Operating (1.5%)		
Burlington Northern Santa Fe, 6.125%, 3/15/09	3,000,000	3,224
Union Pacific Corp., 3.875%, 2/15/09	3,000,000	2,978
Union Pacific Corp., 7.375%, 9/15/09	3,000,000	3,389
Total		9,591
Real Estate Investment Trusts (0.9%)		
ERP Operating LP, 4.75%, 6/15/09	1,250,000	1,276
ERP Operating LP, 5.25%, 9/15/14	3,400,000	3,444
First Industrial LP, 5.25%, 6/15/09	1,275,000	1,311
Total		6,031
Retail-Retail Stores (2.2%)		
Fortune Brands, Inc., 4.875%, 12/1/13	1,370,000	1,390
Home Depot, Inc., 3.75%, 9/15/09 144A	7,500,000	7,433
Limited Brands, Inc., 6.95%, 3/1/33	2,706,000	2,944
VF Corp., 6.00%, 10/15/33	2,850,000	2,909
Total		14,676

Select Bond Portfolio

	Shares/ \$ Par	Value \$ (000's)		Shares/ \$ Par	Value \$ (000's)
Corporate Bonds (42.1%)			Government and Agency Bonds (36.0%)		
Savings Institutions Except Federal (0.4%)			Federal Government & Agencies continued		
U.S. Central Credit Union, 2.75%, 5/30/08	2,600,000	2,517	US Treasury, 3.50%, 12/15/09	24,410,000	24,292
Total		2,517	(f)US Treasury, 4.25%, 11/15/14	8,244,000	8,266
Security Brokers and Dealers (2.5%)			US Treasury, 5.375%, 2/15/31	16,886,000	18,259
Credit Suisse First Boston USA, Inc., 4.70%, 6/1/09	3,900,000	3,991	Total Government and Agency Bonds		237,496
Goldman Sachs Group, Inc., 5.15%, 1/15/14	4,500,000	4,560	(Cost: \$236,898)		
Merrill Lynch & Co., Inc., 5.00%, 1/15/15	3,540,000	3,526	Mortgage and Asset Backed Securities (17.7%)		
Morgan Stanley, 5.30%, 3/1/13	4,075,000	4,196	Boat Dealers (0.0%)		
Total		16,273	Nationscredit Grantor Trust, Series 1997-2, Class A1, 6.35%, 4/15/14	174,901	175
Steel Wire and Related Products (0.5%)			Total		175
Hubbell, Inc., 6.375%, 5/15/12	3,200,000	3,487	Commercial Mortgages (5.1%)		
Total		3,487	Asset Securitization Corp., Series 1997-D5, Class PS1, 1.62%, 2/14/43 IO	10,322,513	540
Television Broadcasting Stations (0.5%)			Chase Commercial Mortgage Securities Corp., Series 1997-1, Class B, 7.37%, 4/19/07	1,000,000	1,075
Clear Channel Communications, 5.50%, 12/15/16	3,020,000	2,977	Chase Commercial Mortgage Securities Corp., Series 1997-2, Class A2, 6.60%, 11/19/07	4,071,450	4,327
Total		2,977	Chase Commercial Mortgage Securities Corp., Series 1997-2, Class B, 6.60%, 11/19/07	2,000,000	2,149
Wines and Distilled Beverages (0.3%)			Commercial Mortgage Acceptance Corp., Series 1997-ML1, Class B, 6.64%, 12/15/30	2,000,000	2,147
Brown Forman Corp., 3.00%, 3/15/08	1,750,000	1,711	Credit Suisse First Boston Mortgage Securities Corp., Series 1997-C1, Class A2, 7.26%, 6/20/29 144A	1,242,231	1,328
Total		1,711	Credit Suisse First Boston Mortgage Securities Corp., Series 1997-C1, Class B, 7.28%, 6/20/29 144A	1,500,000	1,620
Total Corporate Bonds		277,718	Criimi Mae Commercial Mortgage Trust, Series 1998-C1, Class A1, 7.00%, 11/2/06 144A	2,844,391	2,902
(Cost: \$277,333)			Criimi Mae Commercial Mortgage Trust, Series 1998-C1, Class B, 7.00%, 11/2/11 144A	4,000,000	4,379
Government and Agency Bonds (36.0%)			DLJ Commercial Mortgage Corp., Series 1998-CF1, Class S, 0.70%, 1/15/18 IO	104,776,208	2,990
Federal Government & Agencies (36.0%)			DLJ Mortgage Acceptance Corp., Series 1997-CF2, Class S, 0.35%, 10/15/30 IO 144A	76,645,402	1,411
Aid-Israel, 5.50%, 3/18/33	1,890,000	1,984	Enterprise Mortgage Acceptance Co., Series 1998-1, Class IO, 1.37%, 1/15/23 IO 144A	21,178,658	913
BECCS, 0.00%, 11/15/11	5,600,000	5,264	The Equitable Life Assurance Society, Series 174, Class C1, 7.52%, 5/15/06 144A	2,000,000	2,099
Federal Home Loan Bank, 5.54%, 1/8/09	3,700,000	3,952	Midland Realty Acceptance Corp., Series 1996-C2, Class AEC, 1.35%, 1/25/29 IO 144A	6,074,123	151
Federal Home Loan Mortgage Corp., 6.50%, 5/1/34	2,560,715	2,688			
Federal Home Loan Mortgage Corp., 4.50%, 5/1/19	2,947,111	2,939			
Federal Home Loan Mortgage Corp., 5.00%, 10/1/19	4,070,133	4,135			
Federal Home Loan Mortgage Corp., 5.50%, 9/1/19	1,484,160	1,534			
Federal Home Loan Mortgage Corp., 7.50%, 10/1/27	562,389	604			
Housing & Urban Development, 6.08%, 8/1/13	4,000,000	4,408			
Housing & Urban Development, 6.17%, 8/1/14	3,000,000	3,334			
State of Israel, 7.25%, 12/15/28	3,465,000	3,904			
Tennessee Valley Authority Stripped, 0.00%, 4/15/42	3,600,000	2,690			
US Treasury, 2.25%, 4/30/06	71,475,000	70,884			
(f)US Treasury, 2.50%, 10/31/06	25,950,000	25,708			
(f)US Treasury, 2.875%, 11/30/06	25,000,000	24,922			
(f)US Treasury, 3.00%, 11/15/07	27,900,000	27,729			

Select Bond Portfolio

Mortgage and Asset Backed Securities (17.7%)	Shares/ \$ Par	Value \$ (000's)
Commercial Mortgages continued		
Mortgage Capital Funding, Inc., Series 1997-MC1, Class A3, 7.29%, 3/20/27	2,058,037	2,128
Nomura Asset Securities Corp., Series 1998-D6, Class A2, 6.99%, 3/15/30	2,800,000	3,254
(d)RMF Commercial Mortgage Pass-Through, Series 1997-1, Class F, 7.47%, 1/15/19 144A	1,800,000	180
Total		33,593
Federal Government & Agencies (11.1%)		
Federal National Mortgage Association, 4.00%, 6/1/19	1,509,479	1,474
Federal National Mortgage Association, 4.50%, 8/1/19	1,570,130	1,566
Federal National Mortgage Association, 5.00%, 3/1/34	9,958,739	9,900
Federal National Mortgage Association, 5.50%, 9/1/34	10,569,889	10,736
Federal National Mortgage Association, 5.97%, 10/1/08	3,516,554	3,722
Federal National Mortgage Association, 6.22%, 2/1/06	1,748,315	1,781
Federal National Mortgage Association, 6.265%, 10/1/08	2,758,489	2,943
Federal National Mortgage Association, 6.36%, 4/1/08	3,417,338	3,628
Federal National Mortgage Association, 6.75%, 4/25/18	1,751,059	1,838
Federal National Mortgage Association, 6.75%, 12/25/23	633,935	644
Federal National Mortgage Association, 7.36%, 4/1/11	2,769,868	3,134
Federal National Mortgage Association, 11.00%, 12/1/12	12,716	14
Federal National Mortgage Association, 11.00%, 9/1/17	53,538	59
Federal National Mortgage Association, 11.00%, 12/1/17	18,280	20
Federal National Mortgage Association, 11.00%, 2/1/18	37,283	42
Federal National Mortgage Association, 11.50%, 4/1/18	22,444	25
Federal National Mortgage Association, 12.00%, 9/1/12	120,534	134
Federal National Mortgage Association, 12.00%, 12/1/12	43,636	49
Federal National Mortgage Association, 12.00%, 9/1/17	24,625	28
Federal National Mortgage Association, 12.00%, 10/1/17	22,321	25
Federal National Mortgage Association, 12.00%, 12/1/17	10,557	12
Federal National Mortgage Association, 12.00%, 2/1/18	35,966	41
Federal National Mortgage Association, 12.25%, 1/1/18	18,946	22

Mortgage and Asset Backed Securities (17.7%)	Shares/ \$ Par	Value \$ (000's)
Federal Government & Agencies continued		
Federal National Mortgage Association, 12.50%, 4/1/18	5,068	6
Federal National Mortgage Association, 13.00%, 11/1/12	26,212	30
Federal National Mortgage Association, 13.00%, 11/1/17	9,591	11
Federal National Mortgage Association, 13.00%, 12/1/17	7,186	8
Federal National Mortgage Association, 13.00%, 2/1/18	41,354	48
Federal National Mortgage Association, 14.00%, 12/1/17	16,073	19
Federal National Mortgage Association, TBA, 6.00%, 1/1/35	5,000,000	5,169
Government National Mortgage Association, 5.50%, 10/15/31	97,424	100
Government National Mortgage Association, 5.50%, 11/15/31	20,312	21
Government National Mortgage Association, 5.50%, 12/15/31	475,132	486
Government National Mortgage Association, 5.50%, 1/15/32	635,821	651
Government National Mortgage Association, 5.50%, 2/15/32	286,791	293
Government National Mortgage Association, 5.50%, 3/15/32	381,508	391
Government National Mortgage Association, 5.50%, 4/15/32	27,691	28
Government National Mortgage Association, 5.50%, 7/15/32	42,127	43
Government National Mortgage Association, 5.50%, 9/15/32	7,790,719	7,970
Government National Mortgage Association, 7.00%, 5/15/23	37,828	40
Government National Mortgage Association, 7.50%, 4/15/22	20,593	22
Government National Mortgage Association, 7.50%, 10/15/23	62,543	68
Government National Mortgage Association, 7.50%, 11/15/25	1,046	1
Government National Mortgage Association, 7.50%, 5/15/26	1,620	2
Government National Mortgage Association, 7.50%, 1/15/27	14,677	16
Government National Mortgage Association, 7.50%, 2/15/27	31,381	34
Government National Mortgage Association, 7.50%, 3/15/27	8,456	9
Government National Mortgage Association, 7.50%, 4/15/27	7,084	8
Government National Mortgage Association, 7.50%, 8/15/27	871	1
Government National Mortgage Association, 7.50%, 6/15/28	29,653	32
Government National Mortgage Association, 8.00%, 1/15/26	36,534	40

Select Bond Portfolio

Mortgage and Asset Backed Securities (17.7%)	Shares/ \$ Par	Value \$ (000's)
Federal Government & Agencies continued		
Government National Mortgage Association, 8.00%, 2/15/26	33,272	36
Government National Mortgage Association, 8.00%, 8/15/26	67,701	74
Government National Mortgage Association, 8.00%, 9/15/26	21,819	24
Government National Mortgage Association, 8.00%, 12/15/26	9,979	11
Government National Mortgage Association, 8.00%, 3/15/27	43,926	48
Government National Mortgage Association, 8.00%, 4/15/27	164,597	179
Government National Mortgage Association, 8.00%, 6/15/27	33,145	36
Government National Mortgage Association, 8.00%, 7/15/27	19,299	21
Government National Mortgage Association, 8.00%, 9/15/27	20,834	23
Government National Mortgage Association, 8.50%, 3/15/23	381	0
Government National Mortgage Association, 8.50%, 6/15/24	18,166	20
Government National Mortgage Association, 8.50%, 7/15/24	11,491	13
Government National Mortgage Association, 8.50%, 11/15/24	65,652	73
Government National Mortgage Association, 8.50%, 2/15/25	15,102	17
Government National Mortgage Association, 11.00%, 1/15/18	919,980	1,030
Government National Mortgage Association, TBA, 4.50%, 1/1/35	14,730,455	14,361
Total		73,350
Housing Programs (0.0%)		
Rural Housing Trust 1987-1, Series 1, Class D, 6.33%, 4/1/26	254,487	255
Total		255
International Affairs (0.4%)		
Overseas Private Investment, 4.10%, 11/15/14	2,875,920	2,865
Total		2,865
Mobil Home Dealers (0.1%)		
Mid-State Trust, Series 6, Class A3, 7.54%, 7/1/35	587,218	636
Total		636
Retail-Retail Stores (1.0%)		
LB Mortgage Trust, Series 1991-2, Class A3, 8.39%, 1/20/17	5,620,815	6,411
Total		6,411
Total Mortgage and Asset Backed Securities (Cost: \$115,759)		117,285

Money Market Investment (15.3%)	Shares/ \$ Par	Value \$ (000's)
Autos (2.9%)		
BMW U.S. Capital Corp., 2.30%, 1/14/05	5,000,000	4,996
Daimler Chrysler Auto, 2.24%, 1/11/05	5,000,000	4,997
Fcar Owner Trust I, 2.25%, 1/5/05	5,000,000	4,998
New Center Asset Trust, 2.31%, 1/18/05	5,000,000	4,995
Total		19,986
Federal Government & Agencies (0.3%)		
Federal Home Loan Mortgage Co., 2.42%, 3/22/05	1,800,000	1,791
Total		1,791
Finance Lessors (2.2%)		
Ranger Funding Co. LLC, 2.25%, 1/14/05	5,000,000	4,996
Thunder Bay Funding, Inc, 2.27%, 1/20/05	5,000,000	4,994
Windmill Funding Corp., 2.20%, 1/4/05	5,000,000	4,999
Total		14,989
Finance Services (1.1%)		
Ciesco LP, 2.20%, 1/3/05	1,970,000	1,970
Preferred Receivable Funding, 2.22%, 1/4/05	5,000,000	4,999
Total		6,969
Flavoring Extracts and Syrups (0.8%)		
Coca-Cola Co., 2.31%, 1/20/05	5,000,000	4,994
Total		4,994
Miscellaneous Business Credit Institutions (0.8%)		
Catepillar Financial, 2.30%, 1/19/05	5,000,000	4,994
Total		4,994
Petroleum Refining (0.4%)		
Chevrontexaco Funding Corp, 2.25%, 1/5/05	2,700,000	2,699
Total		2,699
Security Brokers and Dealers (2.3%)		
The Goldman Sachs Group, 2.33%, 1/27/05	5,000,000	4,992
Merrill Lynch, 2.28%, 1/24/05	5,000,000	4,992
Morgan Stanley Dean Witter, 2.34%, 1/26/05	5,000,000	4,992
Total		14,976

Select Bond Portfolio

	Shares/ \$ Par	Value \$ (000's)
Money Market Investment (15.3%)		
Short Term Business Credit (3.7%)		
(b) American Express Credit, 2.26%, 1/6/05	5,000,000	4,999
(b) American General Financial Corp., 2.38%, 1/21/05	5,000,000	4,993
(b) Old Line Funding Corp., 2.24%, 1/11/05	5,000,000	4,997
(b) Sheffield Receivables, 2.26%, 1/18/05	5,000,000	4,995
(b) USAA Cap Corp., 2.27%, 1/10/05	5,000,000	4,997
Total		<u>24,981</u>
Utilities (0.8%)		
National Rural Utility, 2.33%, 1/25/05	5,000,000	4,992
Total		<u>4,992</u>
Total Money Market Investment (Cost: \$101,371)		<u>101,371</u>
Total Investments (111.5%) (Cost \$734,198)(a)		<u>736,834</u>
Other Assets, Less Liabilities (-11.5%)		<u>(75,807)</u>
Total Net Assets (100.0%)		<u>661,027</u>

144A after the name of a security represents a security exempt from registration under Rule 144A of the securities Act of 1933. These securities may be resold as transactions exempt from registration, normally to qualified institutional buyers. At December 31, 2004, the value of these securities was \$44,905, representing 6.79% of net assets.

IO — Interest Only Security

RB — Revenue Bond

(a) At December 31, 2004 the aggregate cost of securities for federal tax purposes (in thousands) was \$738,383 and the net unrealized depreciation of investments based on that cost was \$1,549 which is comprised of \$10,951 aggregate gross unrealized appreciation and \$12,500 aggregate gross unrealized depreciation.

(b) All or a portion of the securities have been committed as collateral for open futures positions or when-issued securities. Information regarding open futures contracts as of period end is summarized below.

Issuer (000's)	Number of Contracts	Expiration Date	Unrealized Appreciation/ Depreciation (000's)
US Ten Year Treasury Note	45	3/05	\$24
(Total Notional Value at December 31, 2004, \$5,062)			

(d) Defaulted Security

(f) All or a portion of the securities have been loaned.
See Note 6.

The Accompanying Notes are an Integral Part of the Financial Statements

Money Market Portfolio

Objective:

Maximum current income consistent with liquidity and stability of capital

Portfolio Strategy:

Achieve stability of capital by investing in short-term debt securities.

Net Assets:

\$344 million

The Money Market Portfolio's investment objective is to generate maximum current income consistent with liquidity and stability of capital. The Money Market Portfolio, which invests only in high quality commercial paper and other short-term debt securities with maturities generally not exceeding one year, is the least risky of the Portfolios, providing a moderate return in line with prevailing short-term interest rates. The Portfolio will attempt to maximize its return by trading to take advantage of changing money market conditions and trends.

The Money Market Portfolio will also trade to take advantage of what are believed to be disparities in yield relationships between different money market instruments. This procedure may increase or decrease the Portfolio's yield depending upon management's ability to correctly time and execute such transactions. The Money Market Portfolio intends to purchase only securities that mature within a year except for securities which are subject to repurchase agreements. Accordingly, the level of purchases will be relatively high. However, as transaction costs on Money Market Portfolio investments are generally not substantial, the high level of purchases will not adversely affect the Portfolio's net asset value or net income.

The main determinant of returns from the Money Market Portfolio is short-term interest rates in general. For the year ended December 31, 2004, the return on the Portfolio was 1.43%. The Portfolio outperformed its peer group, Money Market Funds, which had an average return of 0.83% for the same period, according to Lipper Analytical Services, Inc. ("Lipper"), an independent mutual fund ranking agency. The Portfolio's outperformance relative to the Index resulted mainly from a management fee waiver of 30 basis points during all of 2004, which ended on December 31, 2004.

Throughout the first five months of 2004, short-term interest rates remained at their lowest levels in many years. But in an effort to moderate economic growth, the Federal Reserve began increasing short-term rates in June, when it raised the federal funds rate by 25 basis points. By year end, the Federal Reserve had raised rates a total of five times, and the fed funds rate, which stood at 1.00% in January, ended the year at 2.25%.

The Federal Reserve governors believe short-term rates are at a level that encourages above average economic activity. They have been methodically raising these short-term interest rates to bring them to a level consistent with moderate economic growth and thereby reducing inflationary pressures.

The increase in short-term rates has not impacted the supply of money market eligible securities. Rather, stability in long-term interest rates has had a larger effect as companies have been able to extend the maturities of their debt to take advantage of the low rate environment, thereby reducing their short-term debt.

Compared to its benchmark, the Money Market Portfolio had a slightly longer average maturity earlier in 2004. The Portfolio's barbell composition (with a large portion of assets invested very short-term) provided the liquidity to reinvest in higher yielding securities as rates were on the rise, which allowed the Portfolio returns to keep pace with the increase in short-term interest rates. At the end of 2004, the average maturity of the Portfolio was in line with its benchmark.

Anticipating more rate increases going forward, we are slowly increasing the Portfolio's average maturity to take advantage of the steepness of the yield curve.

AN INVESTMENT IN THE MONEY MARKET PORTFOLIO IS NEITHER INSURED NOR GUARANTEED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY. ALTHOUGH THE PORTFOLIO SEEKS TO PRESERVE THE VALUE OF YOUR INVESTMENT AT \$1.00 PER SHARE, THERE IS NO ASSURANCE THAT THE PORTFOLIO WILL BE ABLE TO MAINTAIN A STABLE NET ASSET VALUE SO IT IS POSSIBLE TO LOSE MONEY BY INVESTING IN THE PORTFOLIO.

Money Market Portfolio

Expense Example

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management 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 period and held for the entire period (July 1, 2004 to December 31, 2004).

Actual Expenses

The first 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 first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second 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 transactional costs. Therefore, the second 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 transactional costs were included, your costs would have been higher.

	Beginning Account Value July 1, 2004	Ending Account Value December 31, 2004	Expenses Paid During Period July 1, 2004 to December 31, 2004*
Actual	\$1,000.00	\$1,008.70	\$0.00
Hypothetical (5% return before expenses)	\$1,000.00	\$1,024.83	\$0.00

* Expenses are equal to the Fund's annualized expense ratio of 0.00%, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period). For periods after December 31, 2004, the Fund's Investment Adviser is no longer waiving its 0.30% management fee. In the absence of such fee waiver, the ending account value and expenses paid during the period would have been \$1,008.70 and \$1.51, respectively, for the actual expense example and \$1,023.32 and \$1.53, respectively, for the hypothetical expense example.

Money Market Portfolio

Northwestern Mutual Series Fund, Inc. Schedule of Investments December 31, 2004

Money Market Investments (80.6%)	Shares/ \$ Par	Value \$ (000's)
Agricultural Services (2.3%)		
Cargill, Inc., 2.30%, 1/20/05	8,000,000	\$ 7,990
Total		7,990
Autos (17.6%)		
Daimler Chrysler Auto, 2.09%, 1/3/05	5,000,000	4,999
Daimler Chrysler Auto, 2.25%, 1/12/05	8,000,000	7,995
Fcar Owner Trust I, 2.18%, 1/6/05	8,500,000	8,496
Fcar Owner Trust I, 2.34%, 1/24/05	7,500,000	7,489
New Center Asset Trust, 2.19%, 1/12/05	8,000,000	7,995
New Center Asset Trust, 2.25%, 1/28/05	8,000,000	7,987
Toyota Motor Credit Corp., 2.21%, 1/28/05	8,000,000	7,987
Toyota Motor Credit Corp., 2.30%, 2/7/05	8,000,000	7,981
Total		60,929
Finance Lessors (14.1%)		
Delaware Funding, 2.29%, 2/2/05	8,000,000	7,984
Ranger Funding Co. LLC, 2.25%, 1/14/05	8,000,000	7,994
Ranger Funding Co. LLC, 2.33%, 1/24/05	8,000,000	7,988
Thunder Bay Funding, Inc., 2.15%, 1/18/05	8,500,000	8,491
Thunder Bay Funding, Inc., 2.34%, 2/1/05	7,500,000	7,485
Windmill Funding Corp., 2.04%, 1/3/05	8,500,000	8,499
Total		48,441
Finance Services (4.5%)		
Ciesco LP, 2.20%, 1/3/05	4,410,000	4,409
Preferred Receivable Funding, 2.21%, 1/18/05	7,000,000	6,993
Preferred Receivable Funding, 2.34%, 2/1/05	4,000,000	3,992
Total		15,394
Flavoring Extracts and Syrups (2.3%)		
Coca-Cola Co., 2.31%, 1/20/05	8,000,000	7,990
Total		7,990
Miscellaneous Business Credit Institutions (5.8%)		
Catepillar Financial Services, 2.20%, 1/11/05	6,000,000	5,997
Catepillar Financial Services, 2.55%, 6/1/05	4,000,000	4,000
General Electric Capital Corp., 2.00%, 1/4/05	5,000,000	4,999
General Electric Capital Corp., 2.46%, 7/9/07	5,000,000	5,000
Total		19,996

Money Market Investments (80.6%)	Shares/ \$ Par	Value \$ (000's)
Personal Credit Institutions (6.8%)		
American General, 2.11%, 1/3/05	5,500,000	5,499
American General, 2.37%, 1/28/05	5,500,000	5,490
Associates Corp., 2.64875%, 6/27/05	5,000,000	5,000
Household Finance Corp., 2.28%, 2/4/05	7,500,000	7,484
Total		23,473
Pharmaceutical Preparations (2.5%)		
Pfizer, Inc., 2.00%, 1/4/05	8,500,000	8,499
Total		8,499
Security Brokers and Dealers (8.5%)		
Citigroup Global Markets, 2.04%, 1/11/05	5,200,000	5,197
The Goldman Sachs Group, 2.33%, 1/27/05	8,000,000	7,987
The Goldman Sachs Group, 2.33%, 1/31/05	8,000,000	7,984
Morgan Stanley Dean Witter, 2.34%, 1/26/05	8,000,000	7,987
Total		29,155
Short Term Business Credit (11.6%)		
CXC, Inc., 2.15%, 1/11/05	8,000,000	7,995
Old Line Funding Corp., 2.32%, 1/24/05	8,000,000	7,988
Old Line Funding Corp., 2.35%, 2/7/05	8,000,000	7,981
Sheffield Receivables, 2.26%, 1/18/05	8,000,000	7,991
Sheffield Receivables, 2.28%, 1/25/05	8,000,000	7,988
Total		39,943
Utilities (4.6%)		
National Rural Utility, 2.23%, 1/10/05	7,800,000	7,796
National Rural Utility, 2.32%, 1/18/05	8,000,000	7,991
Total		15,787
Total Money Market Investments (Cost: \$277,597)		277,597
Corporate Bonds (15.2%)		
Banks (6.1%)		
Bank of America Corp., 7.875%, 5/16/05	2,200,000	2,248
Citigroup, Inc., 2.56%, 2/14/05	4,500,000	4,501
First Union Corp., 7.55%, 8/18/05	2,200,000	2,271
HBOS Treasury Services PLC, 2.53%, 3/14/05	3,500,000	3,501
Royal Bank of Canada New York, 2.3425%, 1/24/05	4,500,000	4,500
Wells Fargo Bank, 6.20%, 12/1/05	3,500,000	3,607
Total		20,628

Money Market Portfolio

	Shares/ \$ Par	Value \$ (000's)
Corporate Bonds (15.2%)		
Miscellaneous Business Credit Institutions (2.9%)		
BP Capital Markets PLC, 4.00%, 4/29/05	3,500,000	3,525
General Electric Capital Corp., 7.50%, 5/15/05	3,500,000	3,574
Newcourt Credit Group, 6.875%, 2/16/05	3,000,000	<u>3,020</u>
Total		<u>10,119</u>
Personal Credit Institutions (3.7%)		
Associates Corp., 6.10%, 1/15/05	4,000,000	4,008
Household Finance Corp., 6.50%, 1/24/06	6,050,000	6,261
USAA Capital Corp., 7.54%, 3/30/05	2,600,000	<u>2,637</u>
Total		<u>12,906</u>
Pharmaceutical Preparations (1.0%)		
Merck & Co., Inc., 4.125%, 1/18/05	3,500,000	<u>3,505</u>
Total		<u>3,505</u>
Security Brokers and Dealers (1.5%)		
Morgan Stanley Dean Witter, 7.75%, 6/15/05	3,500,000	3,588
Salomon Smith Barney, 6.25%, 1/15/05	1,500,000	<u>1,503</u>
Total		<u>5,091</u>
Total Corporate Bonds (Cost: \$52,249)		<u>52,249</u>

	Shares/ \$ Par	Value \$ (000's)
Government and Agency Bonds (5.9%)		
Federal Government & Agencies (5.9%)		
Federal Home Loan Bank, 7.125%, 2/15/05	3,500,000	3,524
Federal Home Loan Bank, 1.45%, 3/11/05	6,000,000	6,000
Federal Home Loan Bank, 1.58%, 5/20/05	7,450,000	7,450
Federal Home Loan Mortgage Corp., 1.875%, 1/15/05	3,500,000	<u>3,501</u>
Total Government and Agency Bonds (Cost: \$20,475)		<u>20,475</u>
Total Investments (101.7%) (Cost \$350,321)		<u>350,321</u>
Other Assets, Less Liabilities (-1.7%)		<u>(5,853)</u>
Total Net Assets (100.0%)		<u>344,468</u>

The Accompanying Notes are an Integral Part of the Financial Statements

Statements of Assets and Liabilities

Northwestern Mutual Series Fund, Inc.

December 31, 2004

(in thousands, except per share data)

	Small Cap Growth Stock Portfolio	T. Rowe Price Small Cap Value Portfolio	Aggressive Growth Stock Portfolio	International Growth Portfolio	Franklin Templeton International Equity Portfolio	AllianceBernstein Mid Cap Value Portfolio	Index 400 Stock Portfolio
Assets							
Investments, at value (1)	\$ 442,635	\$ 201,121	\$1,283,572	\$ 109,673	\$ 979,796	\$ 71,963	\$ 426,266
Cash	64	75	11	247	60	99	57
Due From Sale of Fund Shares	162	173	366	135	390	81	368
Due From Sale of Securities	—	118	—	614	—	—	—
Due From Sale of Foreign Currency	—	—	—	688	117	—	—
Futures Variation Margin	11	—	16	—	—	—	116
Dividends and Interest Receivables ..	36	305	272	84	1,568	77	265
Total Assets	<u>442,908</u>	<u>201,792</u>	<u>1,284,237</u>	<u>111,441</u>	<u>981,931</u>	<u>72,220</u>	<u>427,072</u>
Liabilities							
Due on Purchase of Securities and Securities Lending Collateral	20	1,427	4,609	65	—	—	—
Due on Purchase of Foreign Currency	—	—	—	738	—	—	—
Due on Redemption of Fund Shares	241	49	561	38	360	24	121
Due to Investment Advisor	202	141	554	68	536	50	89
Accrued Expenses	25	32	18	34	58	15	35
Futures Variation Margin	—	—	—	—	—	—	—
Total Liabilities	<u>488</u>	<u>1,649</u>	<u>5,742</u>	<u>943</u>	<u>954</u>	<u>89</u>	<u>245</u>
Net Assets	<u>\$ 442,420</u>	<u>\$ 200,143</u>	<u>\$1,278,495</u>	<u>\$ 110,498</u>	<u>\$ 980,977</u>	<u>\$ 72,131</u>	<u>\$ 426,827</u>
Represented By:							
Aggregate Paid in Capital (2), (3) ...	\$ 345,867	\$ 144,196	\$1,134,824	\$ 83,087	\$ 804,157	\$ 57,504	\$ 326,641
Undistributed Net Investment Income (Loss)	—	702	635	(16)	18,101	6	3,406
Undistributed Accumulated Net Realized Gain (Loss) on Investments	3,731	5,788	(112,367)	(803)	(68,791)	320	17,244
Net Unrealized Appreciation (Depreciation) of:							
Investment Securities	92,325	49,457	255,277	28,222	227,457	14,301	78,124
Futures Contracts	497	—	126	—	—	—	1,412
Foreign Currency Transactions ...	—	—	—	8	53	—	—
Net Assets for Shares Outstanding (2)	<u>\$ 442,420</u>	<u>\$ 200,143</u>	<u>\$1,278,495</u>	<u>\$ 110,498</u>	<u>\$ 980,977</u>	<u>\$ 72,131</u>	<u>\$ 426,827</u>
Net Asset Value, Offering and Redemption Price per Share	<u>\$ 2.30</u>	<u>\$ 1.58</u>	<u>\$ 3.11</u>	<u>\$ 1.32</u>	<u>\$ 1.65</u>	<u>\$ 1.45</u>	<u>\$ 1.46</u>
(1) Investments, at cost	\$ 350,310	\$ 151,664	\$1,028,295	\$ 81,451	\$ 752,339	\$ 57,662	\$ 348,142
(2) Shares Outstanding	192,363	126,789	411,284	83,781	592,894	49,575	291,839
(3) Shares authorized, \$.01 par value ...	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000

The Accompanying Notes are an Integral Part of the Financial Statements

Janus Capital Appreciation Portfolio	Growth Stock Portfolio	Large Cap Core Stock Portfolio	Capital Guardian Domestic Equity Portfolio	T. Rowe Price Equity Income Portfolio	Index 500 Stock Portfolio	Asset Allocation Portfolio	Balanced Portfolio	High Yield Bond Portfolio	Select Bond Portfolio	Money Market Portfolio
\$ 56,474	\$ 686,596	\$ 469,620	\$ 211,516	\$ 90,147	\$1,901,752	\$ 196,400	\$3,173,820	\$ 226,081	\$ 736,834	\$ 350,321
184	78	52	227	—	38	83	100	93	205	10
81	185	266	166	107	795	245	679	80	379	200
—	—	—	—	44	—	—	—	102	—	—
—	—	—	—	—	—	188	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
20	563	484	312	158	2,467	732	12,508	3,723	5,196	907
<u>56,759</u>	<u>687,422</u>	<u>470,422</u>	<u>212,221</u>	<u>90,456</u>	<u>1,905,052</u>	<u>197,648</u>	<u>3,187,107</u>	<u>230,079</u>	<u>742,614</u>	<u>351,438</u>
—	—	—	88	577	—	908	201,938	554	81,221	6,436
—	—	—	—	—	—	—	—	—	—	—
18	289	290	35	66	551	9	988	94	187	534
37	244	170	105	47	320	90	756	90	167	—
14	25	23	16	19	35	60	—	29	—	—
—	15	4	—	—	24	13	246	—	12	—
<u>69</u>	<u>573</u>	<u>487</u>	<u>244</u>	<u>709</u>	<u>930</u>	<u>1,080</u>	<u>203,928</u>	<u>767</u>	<u>81,587</u>	<u>6,970</u>
<u>\$ 56,690</u>	<u>\$ 686,849</u>	<u>\$ 469,935</u>	<u>\$ 211,977</u>	<u>\$ 89,747</u>	<u>\$1,904,122</u>	<u>\$ 196,568</u>	<u>\$2,983,179</u>	<u>\$ 229,312</u>	<u>\$ 661,027</u>	<u>\$ 344,468</u>
\$ 42,635	\$ 659,693	\$ 562,655	\$ 174,602	\$ 75,770	\$1,354,468	\$ 168,309	\$2,197,100	\$ 270,125	\$ 634,653	\$ 344,468
—	7,067	6,146	59	11	32,479	3,070	76,800	15,509	24,741	—
(565)	(65,699)	(166,528)	4,738	732	28,047	2,737	29,592	(65,398)	(1,028)	—
14,620	85,285	67,545	32,578	13,234	488,656	22,019	672,092	9,076	2,637	—
—	503	117	—	—	472	429	7,595	—	24	—
—	—	—	—	—	—	4	—	—	—	—
<u>\$ 56,690</u>	<u>\$ 686,849</u>	<u>\$ 469,935</u>	<u>\$ 211,977</u>	<u>\$ 89,747</u>	<u>\$1,904,122</u>	<u>\$ 196,568</u>	<u>\$2,983,179</u>	<u>\$ 229,312</u>	<u>\$ 661,027</u>	<u>\$ 344,468</u>
\$ 1.43	\$ 1.98	\$ 1.14	\$ 1.14	\$ 1.35	\$ 2.94	\$ 1.12	\$ 1.87	\$ 0.76	\$ 1.23	\$ 1.00
\$ 41,854	\$ 601,311	\$ 402,075	\$ 178,938	\$ 76,913	\$1,413,096	\$ 174,381	\$2,501,728	\$ 217,005	\$ 734,198	\$ 350,321
39,640	346,265	411,485	185,285	66,486	647,107	175,490	1,592,535	302,130	538,415	344,481
2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	3,000,000	2,000,000	1,000,000	2,000,000

The Accompanying Notes are an Integral Part of the Financial Statements

Statements of Operations

Northwestern Mutual Series Fund, Inc.

For the Year Ended December 31, 2004

(in thousands)

	Small Cap Growth Stock Portfolio	T. Rowe Price Small Cap Value Portfolio	Aggressive Growth Stock Portfolio	International Growth Portfolio	Franklin Templeton International Equity Portfolio	AllianceBernstein Mid Cap Value Portfolio	Index 400 Stock Portfolio
Investment Income							
Income							
Interest	\$ 236	\$ 87	\$ 568	\$ 58	\$ 610	\$ 43	\$ 425
Dividends (1)	810	2,495	6,279	1,435	24,448	992	4,165
Total Income	<u>1,046</u>	<u>2,582</u>	<u>6,847</u>	<u>1,493</u>	<u>25,058</u>	<u>1,035</u>	<u>4,590</u>
Expenses							
Management Fees	2,170	1,301	6,185	625	5,621	465	939
Custodian Fees	19	28	13	176	455	9	32
Audit Fees	16	14	17	17	24	10	16
Other Expenses	1	1	1	1	1	1	1
Total Expenses	<u>2,206</u>	<u>1,344</u>	<u>6,216</u>	<u>819</u>	<u>6,101</u>	<u>485</u>	<u>988</u>
Less Waived Fees:							
Waived by Affiliate	—	—	—	—	—	—	—
Paid Indirectly	(1)	(1)	(4)	—	—	(1)	(1)
Total Net Expenses	<u>2,205</u>	<u>1,343</u>	<u>6,212</u>	<u>819</u>	<u>6,101</u>	<u>484</u>	<u>987</u>
Net Investment Income (Loss)	(1,159)	1,239	635	674	18,957	551	3,603
Realized and Unrealized Gain (Loss) on Investments and Foreign Currencies							
Net Realized Gain (Loss) on:							
Investment Securities	31,123	5,350	102,964	4,719	53,548	4,460	17,166
Futures Contracts	263	—	516	—	—	—	3,254
Foreign Currency Transactions	—	—	—	(16)	(651)	—	—
Net Realized Gain (Loss) on Investments and Foreign Currencies	<u>31,386</u>	<u>5,350</u>	<u>103,480</u>	<u>4,703</u>	<u>52,897</u>	<u>4,460</u>	<u>20,420</u>
Net Unrealized Appreciation (Depreciation) of:							
Investment Securities	38,651	28,984	57,173	12,642	86,049	5,278	33,436
Futures Contracts	576	—	126	—	—	—	976
Foreign Currency Transactions	—	—	—	3	(54)	—	—
Net Change in Unrealized Appreciation (Depreciation) of Investments	<u>39,227</u>	<u>28,984</u>	<u>57,299</u>	<u>12,645</u>	<u>85,995</u>	<u>5,278</u>	<u>34,412</u>
Net Gain (Loss) on Investments	<u>70,613</u>	<u>34,334</u>	<u>160,779</u>	<u>17,348</u>	<u>138,892</u>	<u>9,738</u>	<u>54,832</u>
Net Increase (Decrease) in Net Assets							
Resulting from Operations	<u>\$69,454</u>	<u>\$35,573</u>	<u>\$161,414</u>	<u>\$18,022</u>	<u>\$157,849</u>	<u>\$10,289</u>	<u>\$58,435</u>
(1) Less Foreign Dividend Tax	\$ —	\$ 1	\$ 17	\$ 58	\$ 954	\$ 2	\$ —

The Accompanying Notes are an Integral Part of the Financial Statements

Janus Capital Appreciation Portfolio	Growth Stock Portfolio	Large Cap Core Stock Portfolio	Capital Guardian Domestic Equity Portfolio	T. Rowe Price Equity Income Portfolio	Index 500 Stock Portfolio	Asset Allocation Portfolio	Balanced Portfolio	High Yield Bond Portfolio	Select Bond Portfolio	Money Market Portfolio
\$ 75	\$ 448	\$ 270	\$ 156	\$ 58	\$ 439	\$ 2,991	\$ 60,071	\$16,507	\$26,979	\$ 5,155
278	9,444	7,979	3,582	1,541	35,954	1,152	27,066	97	—	—
<u>353</u>	<u>9,892</u>	<u>8,249</u>	<u>3,738</u>	<u>1,599</u>	<u>36,393</u>	<u>4,143</u>	<u>87,137</u>	<u>16,604</u>	<u>26,979</u>	<u>5,155</u>
346	2,786	1,933	1,014	428	3,577	917	8,689	990	1,887	1,094
8	22	18	12	13	32	107	—	27	—	—
10	17	17	12	10	18	16	—	21	—	—
—	1	1	1	1	1	3	—	1	—	—
<u>364</u>	<u>2,826</u>	<u>1,969</u>	<u>1,039</u>	<u>452</u>	<u>3,628</u>	<u>1,043</u>	<u>8,689</u>	<u>1,039</u>	<u>1,887</u>	<u>1,094</u>
—	—	—	—	—	—	—	—	—	—	(1,094)
—	(1)	(1)	(1)	—	—	(1)	—	(3)	—	—
<u>364</u>	<u>2,825</u>	<u>1,968</u>	<u>1,038</u>	<u>452</u>	<u>3,628</u>	<u>1,042</u>	<u>8,689</u>	<u>1,036</u>	<u>1,887</u>	<u>—</u>
(11)	7,067	6,281	2,700	1,147	32,765	3,101	78,448	15,568	25,092	5,155
(454)	29,026	(661)	11,200	2,719	30,187	2,536	13,176	11,051	3,161	—
—	1,385	181	—	—	2,758	1,518	40,988	—	4,891	—
—	—	—	—	—	—	1	—	—	—	—
<u>(454)</u>	<u>30,411</u>	<u>(480)</u>	<u>11,200</u>	<u>2,719</u>	<u>32,945</u>	<u>4,055</u>	<u>54,164</u>	<u>11,051</u>	<u>8,052</u>	<u>—</u>
8,982	5,558	29,519	14,404	6,583	119,833	9,662	97,694	(1,107)	(2,909)	—
—	177	117	—	—	(619)	—	(8,234)	—	(1,204)	—
—	—	—	—	—	—	1	—	—	—	—
<u>8,982</u>	<u>5,735</u>	<u>29,636</u>	<u>14,404</u>	<u>6,583</u>	<u>119,214</u>	<u>9,663</u>	<u>89,460</u>	<u>(1,107)</u>	<u>(4,113)</u>	<u>—</u>
<u>8,528</u>	<u>36,146</u>	<u>29,156</u>	<u>25,604</u>	<u>9,302</u>	<u>152,159</u>	<u>13,718</u>	<u>143,624</u>	<u>9,944</u>	<u>3,939</u>	<u>—</u>
<u>\$8,517</u>	<u>\$43,213</u>	<u>\$35,437</u>	<u>\$28,304</u>	<u>\$10,449</u>	<u>\$184,924</u>	<u>\$16,819</u>	<u>\$222,072</u>	<u>\$25,512</u>	<u>\$29,031</u>	<u>\$ 5,155</u>
\$ 2	\$ 42	\$ (8)	\$ 38	\$ 7	\$ —	\$ 52	\$ —	\$ —	\$ —	\$ —

The Accompanying Notes are an Integral Part of the Financial Statements

Statements of Changes in Net Assets

Northwestern Mutual Series Fund, Inc.

Small Cap Growth Stock Portfolio

	For the Year Ended December 31, 2004	For the Year Ended December 31, 2003
	(In thousands)	
Change in Net Assets		
Operations		
Net Investment Income (Loss)	\$ (1,159)	\$ (1,036)
Net Realized Gain (Loss) on Investments and Foreign Currencies	31,386	18,249
Net Change in Unrealized Appreciation (Depreciation) of Investments	39,227	69,720
Net Increase (Decrease) in Net Assets Resulting from Operations	<u>69,454</u>	<u>86,933</u>
Distributions to Shareholders from:		
Net Investment Income	—	—
Net Realized Gain on Investments	—	—
Net Decrease in Net Assets Resulting from Distributions to Shareholders	<u>—</u>	<u>—</u>
Fund Share Transactions:		
Proceeds from Sale of 28,670 and 35,064 Shares	58,058	58,399
Proceeds from Shares Issued on Reinvestments of Distributions Paid	—	—
Payments for 25,634 and 20,868 Shares Redeemed	(51,704)	(33,600)
Net Increase (Decrease) in Net Assets Resulting from Fund Share Transactions	<u>6,354</u>	<u>24,799</u>
Total Increase (Decrease) in Net Assets	75,808	111,732
Net Assets		
Beginning of Period	366,612	254,880
End of Period	<u>\$442,420</u>	<u>\$366,612</u>

T. Rowe Price Small Cap Value Portfolio

	For the Year Ended December 31, 2004	For the Year Ended December 31, 2003
	(In thousands)	
Change in Net Assets		
Operations		
Net Investment Income (Loss)	\$ 1,239	\$ 562
Net Realized Gain (Loss) on Investments and Foreign Currencies	5,350	2,029
Net Change in Unrealized Appreciation (Depreciation) of Investments	28,984	24,642
Net Increase (Decrease) in Net Assets Resulting from Operations	<u>35,573</u>	<u>27,233</u>
Distributions to Shareholders from:		
Net Investment Income	(331)	—
Net Realized Gain on Investments	(1,925)	—
Net Decrease in Net Assets Resulting from Distributions to Shareholders	<u>(2,256)</u>	<u>—</u>
Fund Share Transactions:		
Proceeds from Sale of 41,747 and 38,564 Shares	58,312	42,482
Proceeds from Shares Issued on Reinvestments of Distributions Paid (1,702 and 0 Shares, respectively)	2,256	—
Payments for 11,364 and 10,062 Shares Redeemed	(15,686)	(10,854)
Net Increase (Decrease) in Net Assets Resulting from Fund Share Transactions	<u>44,882</u>	<u>31,628</u>
Total Increase (Decrease) in Net Assets	78,199	58,861
Net Assets		
Beginning of Period	121,944	63,083
End of Period	<u>\$200,143</u>	<u>\$121,944</u>

The Accompanying Notes are an Integral Part of the Financial Statements

Statements of Changes in Net Assets

Northwestern Mutual Series Fund, Inc.

Aggressive Growth Stock Portfolio

	For the Year Ended December 31, 2004	For the Year Ended December 31, 2003
	(In thousands)	
Change in Net Assets		
Operations		
Net Investment Income (Loss)	\$ 635	\$ (1,043)
Net Realized Gain (Loss) on Investments and Foreign Currencies	103,480	1,043
Net Change in Unrealized Appreciation (Depreciation) of Investments	<u>57,299</u>	<u>238,195</u>
Net Increase (Decrease) in Net Assets Resulting from Operations	<u>161,414</u>	<u>238,195</u>
Distributions to Shareholders from:		
Net Investment Income	—	—
Net Realized Gain on Investments	<u>—</u>	<u>—</u>
Net Decrease in Net Assets Resulting from Distributions to Shareholders	<u>—</u>	<u>—</u>
Fund Share Transactions:		
Proceeds from Sale of 25,228 and 33,086 Shares	70,609	78,472
Proceeds from Shares Issued on Reinvestments of Distributions Paid	—	—
Payments for 50,196 and 52,230 Shares Redeemed	<u>(141,070)</u>	<u>(123,200)</u>
Net Increase (Decrease) in Net Assets Resulting from Fund Share Transactions	<u>(70,461)</u>	<u>(44,728)</u>
Total Increase (Decrease) in Net Assets	90,953	193,467
Net Assets		
Beginning of Period	<u>1,187,542</u>	<u>994,075</u>
End of Period	<u>\$1,278,495</u>	<u>\$1,187,542</u>

International Growth Portfolio

	For the Year Ended December 31, 2004	For the Year Ended December 31, 2003
	(In thousands)	
Change in Net Assets		
Operations		
Net Investment Income (Loss)	\$ 674	\$ 381
Net Realized Gain (Loss) on Investments and Foreign Currencies	4,703	(902)
Net Change in Unrealized Appreciation (Depreciation) of Investments	<u>12,645</u>	<u>17,919</u>
Net Increase (Decrease) in Net Assets Resulting from Operations	<u>18,022</u>	<u>17,398</u>
Distributions to Shareholders from:		
Net Investment Income	(625)	(420)
Net Realized Gain on Investments	<u>—</u>	<u>—</u>
Net Decrease in Net Assets Resulting from Distributions to Shareholders	<u>(625)</u>	<u>(420)</u>
Fund Share Transactions:		
Proceeds from Sale of 33,565 and 30,332 Shares	39,016	27,066
Proceeds from Shares Issued on Reinvestments of Distributions Paid (475 and 388 Shares, respectively)	625	420
Payments for 11,379 and 14,368 Shares Redeemed	<u>(13,230)</u>	<u>(13,147)</u>
Net Increase (Decrease) in Net Assets Resulting from Fund Share Transactions	<u>26,411</u>	<u>14,339</u>
Total Increase (Decrease) in Net Assets	43,808	31,317
Net Assets		
Beginning of Period	<u>66,690</u>	<u>35,373</u>
End of Period	<u>\$110,498</u>	<u>\$ 66,690</u>

The Accompanying Notes are an Integral Part of the Financial Statements

Statements of Changes in Net Assets

Northwestern Mutual Series Fund, Inc.

Franklin Templeton International Equity Portfolio	For the	For the
	Year Ended December 31, 2004	Year Ended December 31, 2003
	(In thousands)	
Change in Net Assets		
Operations		
Net Investment Income (Loss)	\$ 18,957	\$ 14,871
Net Realized Gain (Loss) on Investments and Foreign Currencies	52,897	(47,810)
Net Change in Unrealized Appreciation (Depreciation) of Investments	85,995	260,519
Net Increase (Decrease) in Net Assets Resulting from Operations	<u>157,849</u>	<u>227,580</u>
Distributions to Shareholders from:		
Net Investment Income	(14,573)	(11,039)
Net Realized Gain on Investments	—	—
Net Decrease in Net Assets Resulting from Distributions to Shareholders	<u>(14,573)</u>	<u>(11,039)</u>
Fund Share Transactions:		
Proceeds from Sale of 71,383 and 306,456 Shares	104,132	326,386
Proceeds from Shares Issued on Reinvestments of Distributions Paid (10,380 and 10,594 Shares, respectively)	14,574	11,039
Payments for 52,582 and 303,227 Shares Redeemed	<u>(76,712)</u>	<u>(321,361)</u>
Net Increase (Decrease) in Net Assets Resulting from Fund Share Transactions	<u>41,994</u>	<u>16,064</u>
Total Increase (Decrease) in Net Assets	185,270	232,605
Net Assets		
Beginning of Period	<u>795,707</u>	<u>563,102</u>
End of Period	<u>\$980,977</u>	<u>\$795,707</u>

AllianceBernstein Mid Cap Value Portfolio	For the	For the
	Year Ended December 31, 2004	Period May 1, 2003(a) through December 31, 2003
	(In thousands)	
Change in Net Assets		
Operations		
Net Investment Income (Loss)	\$ 551	\$ 156
Net Realized Gain (Loss) on Investments and Foreign Currencies	4,460	485
Net Change in Unrealized Appreciation (Depreciation) of Investments	5,278	9,007
Net Increase (Decrease) in Net Assets Resulting from Operations	<u>10,289</u>	<u>9,648</u>
Distributions to Shareholders from:		
Net Investment Income	(543)	(160)
Net Realized Gain on Investments	<u>(4,226)</u>	<u>(381)</u>
Net Decrease in Net Assets Resulting from Distributions to Shareholders	<u>(4,769)</u>	<u>(541)</u>
Fund Share Transactions:		
Proceeds from Sale of 16,224 and 33,540 Shares	22,455	34,956
Proceeds from Shares Issued on Reinvestments of Distributions Paid (3,307 and 415 Shares, respectively)	4,769	541
Payments for 3,477 and 435 Shares Redeemed	<u>(4,704)</u>	<u>(513)</u>
Net Increase (Decrease) in Net Assets Resulting from Fund Share Transactions	<u>22,520</u>	<u>34,984</u>
Total Increase (Decrease) in Net Assets	28,040	44,091
Net Assets		
Beginning of Period	<u>44,091</u>	—
End of Period	<u>\$72,131</u>	<u>\$44,091</u>

(a) Portfolio commenced operations on May 1, 2003.

The Accompanying Notes are an Integral Part of the Financial Statements

Statements of Changes in Net Assets

Northwestern Mutual Series Fund, Inc.

Index 400 Stock Portfolio

	For the Year Ended December 31, 2004	For the Year Ended December 31, 2003
	(In thousands)	
Change in Net Assets		
Operations		
Net Investment Income (Loss)	\$ 3,603	\$ 2,461
Net Realized Gain (Loss) on Investments and Foreign Currencies	20,420	3,452
Net Change in Unrealized Appreciation (Depreciation) of Investments	<u>34,412</u>	<u>78,087</u>
Net Increase (Decrease) in Net Assets Resulting from Operations	<u>58,435</u>	<u>84,000</u>
Distributions to Shareholders from:		
Net Investment Income	(2,524)	(1,934)
Net Realized Gain on Investments	<u>(2,268)</u>	<u>—</u>
Net Decrease in Net Assets Resulting from Distributions to Shareholders	<u>(4,792)</u>	<u>(1,934)</u>
Fund Share Transactions:		
Proceeds from Sale of 48,930 and 57,250 Shares	64,564	61,744
Proceeds from Shares Issued on Reinvestments of Distributions Paid (3,734 and 1,962 Shares, respectively)	4,792	1,934
Payments for 29,428 and 27,449 Shares Redeemed	<u>(38,672)</u>	<u>(28,654)</u>
Net Increase (Decrease) in Net Assets Resulting from Fund Share Transactions	<u>30,684</u>	<u>35,024</u>
Total Increase (Decrease) in Net Assets	84,327	117,090
Net Assets		
Beginning of Period	<u>342,500</u>	<u>225,410</u>
End of Period	<u>\$426,827</u>	<u>\$342,500</u>

Janus Capital Appreciation Portfolio

	For the Year Ended December 31, 2004	For the Period May 1, 2003(a) through December 31, 2003
	(In thousands)	
Change in Net Assets		
Operations		
Net Investment Income (Loss)	\$ (11)	\$ 14
Net Realized Gain (Loss) on Investments and Foreign Currencies	(454)	(34)
Net Change in Unrealized Appreciation (Depreciation) of Investments	<u>8,982</u>	<u>5,638</u>
Net Increase (Decrease) in Net Assets Resulting from Operations	<u>8,517</u>	<u>5,618</u>
Distributions to Shareholders from:		
Net Investment Income	(51)	(14)
Net Realized Gain on Investments	<u>—</u>	<u>(77)</u>
Net Decrease in Net Assets Resulting from Distributions to Shareholders	<u>(51)</u>	<u>(91)</u>
Fund Share Transactions:		
Proceeds from Sale of 11,304 and 31,143 Shares	14,424	31,680
Proceeds from Shares Issued on Reinvestments of Distributions Paid (36 and 77 Shares, respectively)	51	91
Payments for 2,404 and 515 Shares Redeemed	<u>(2,981)</u>	<u>(568)</u>
Net Increase (Decrease) in Net Assets Resulting from Fund Share Transactions	<u>11,494</u>	<u>31,203</u>
Total Increase (Decrease) in Net Assets	19,960	36,730
Net Assets		
Beginning of Period	<u>36,730</u>	<u>—</u>
End of Period	<u>\$56,690</u>	<u>\$36,730</u>

(a) Portfolio commenced operations on May 1, 2003.

The Accompanying Notes are an Integral Part of the Financial Statements

Statements of Changes in Net Assets

Northwestern Mutual Series Fund, Inc.

Growth Stock Portfolio

	For the Year Ended December 31, 2004	For the Year Ended December 31, 2003
(In thousands)		
Change in Net Assets		
Operations		
Net Investment Income (Loss)	\$ 7,067	\$ 4,542
Net Realized Gain (Loss) on Investments and Foreign Currencies	30,411	22,011
Net Change in Unrealized Appreciation (Depreciation) of Investments	5,735	78,208
Net Increase (Decrease) in Net Assets Resulting from Operations	<u>43,213</u>	<u>104,761</u>
Distributions to Shareholders from:		
Net Investment Income	(4,542)	(4,774)
Net Realized Gain on Investments	—	—
Net Decrease in Net Assets Resulting from Distributions to Shareholders	<u>(4,542)</u>	<u>(4,774)</u>
Fund Share Transactions:		
Proceeds from Sale of 29,901 and 46,115 Shares	55,981	76,995
Proceeds from Shares Issued on Reinvestments of Distributions Paid (2,470 and 2,934 Shares, respectively)	4,542	4,774
Payments for 41,710 and 40,664 Shares Redeemed	<u>(78,216)</u>	<u>(67,306)</u>
Net Increase (Decrease) in Net Assets Resulting from Fund Share Transactions	<u>(17,693)</u>	<u>14,463</u>
Total Increase (Decrease) in Net Assets	20,978	114,450
Net Assets		
Beginning of Period	<u>665,871</u>	<u>551,421</u>
End of Period	<u>\$686,849</u>	<u>\$665,871</u>

Large Cap Core Stock Portfolio

	For the Year Ended December 31, 2004	For the Year Ended December 31, 2003
(In thousands)		
Change in Net Assets		
Operations		
Net Investment Income (Loss)	\$ 6,281	\$ 4,201
Net Realized Gain (Loss) on Investments and Foreign Currencies	(480)	(84,731)
Net Change in Unrealized Appreciation (Depreciation) of Investments	29,636	167,352
Net Increase (Decrease) in Net Assets Resulting from Operations	<u>35,437</u>	<u>86,822</u>
Distributions to Shareholders from:		
Net Investment Income	(4,200)	(3,770)
Net Realized Gain on Investments	—	—
Net Decrease in Net Assets Resulting from Distributions to Shareholders	<u>(4,200)</u>	<u>(3,770)</u>
Fund Share Transactions:		
Proceeds from Sale of 37,334 and 44,876 Shares	39,932	42,265
Proceeds from Shares Issued on Reinvestments of Distributions Paid (4,015 and 4,194 Shares, respectively)	4,200	3,770
Payments for 49,534 and 51,025 Shares Redeemed	<u>(52,988)</u>	<u>(47,477)</u>
Net Increase (Decrease) in Net Assets Resulting from Fund Share Transactions	<u>(8,856)</u>	<u>(1,442)</u>
Total Increase (Decrease) in Net Assets	22,381	81,610
Net Assets		
Beginning of Period	<u>447,554</u>	<u>365,944</u>
End of Period	<u>\$469,935</u>	<u>\$447,554</u>

The Accompanying Notes are an Integral Part of the Financial Statements

Statements of Changes in Net Assets

Northwestern Mutual Series Fund, Inc.

Capital Guardian Domestic Equity Portfolio

	For the Year Ended December 31, 2004	For the Year Ended December 31, 2003
	(In thousands)	
Change in Net Assets		
Operations		
Net Investment Income (Loss)	\$ 2,700	\$ 1,807
Net Realized Gain (Loss) on Investments and Foreign Currencies	11,200	215
Net Change in Unrealized Appreciation (Depreciation) of Investments	14,404	29,182
Net Increase (Decrease) in Net Assets Resulting from Operations	<u>28,304</u>	<u>31,204</u>
Distributions to Shareholders from:		
Net Investment Income	(2,660)	(1,804)
Net Realized Gain on Investments	<u>(2,783)</u>	<u>—</u>
Net Decrease in Net Assets Resulting from Distributions to Shareholders	<u>(5,443)</u>	<u>(1,804)</u>
Fund Share Transactions:		
Proceeds from Sale of 55,988 and 46,482 Shares	59,051	39,838
Proceeds from Shares Issued on Reinvestments of Distributions Paid (4,768 and 1,826 Shares, respectively)	5,443	1,804
Payments for 10,950 and 10,806 Shares Redeemed	<u>(11,477)</u>	<u>(9,217)</u>
Net Increase (Decrease) in Net Assets Resulting from Fund Share Transactions	<u>53,017</u>	<u>32,425</u>
Total Increase (Decrease) in Net Assets	75,878	61,825
Net Assets		
Beginning of Period	136,099	74,274
End of Period	<u>\$211,977</u>	<u>\$136,099</u>

T. Rowe Price Equity Income Portfolio

	For the Year Ended December 31, 2004	For the Period May 1, 2003(a) through December 31, 2003
	(In thousands)	
Change in Net Assets		
Operations		
Net Investment Income (Loss)	\$ 1,147	\$ 439
Net Realized Gain (Loss) on Investments and Foreign Currencies	2,719	408
Net Change in Unrealized Appreciation (Depreciation) of Investments	6,583	6,651
Net Increase (Decrease) in Net Assets Resulting from Operations	<u>10,449</u>	<u>7,498</u>
Distributions to Shareholders from:		
Net Investment Income	(1,138)	(435)
Net Realized Gain on Investments	<u>(2,181)</u>	<u>(216)</u>
Net Decrease in Net Assets Resulting from Distributions to Shareholders	<u>(3,319)</u>	<u>(651)</u>
Fund Share Transactions:		
Proceeds from Sale of 27,239 and 39,054 Shares	34,607	40,714
Proceeds from Shares Issued on Reinvestments of Distributions Paid (2,475 and 543 Shares, respectively)	3,319	651
Payments for 2,336 and 489 Shares Redeemed	<u>(2,973)</u>	<u>(548)</u>
Net Increase (Decrease) in Net Assets Resulting from Fund Share Transactions	<u>34,953</u>	<u>40,817</u>
Total Increase (Decrease) in Net Assets	42,083	47,664
Net Assets		
Beginning of Period	47,664	—
End of Period	<u>\$89,747</u>	<u>\$47,664</u>

(a) Portfolio commenced operations on May 1, 2003.

The Accompanying Notes are an Integral Part of the Financial Statements

Statements of Changes in Net Assets

Northwestern Mutual Series Fund, Inc.

Index 500 Stock Portfolio

	For the Year Ended December 31, 2004	For the Year Ended December 31, 2003
(In thousands)		
Change in Net Assets		
Operations		
Net Investment Income (Loss)	\$ 32,765	\$ 23,881
Net Realized Gain (Loss) on Investments and Foreign Currencies	32,945	17,414
Net Change in Unrealized Appreciation (Depreciation) of Investments	<u>119,214</u>	<u>344,408</u>
Net Increase (Decrease) in Net Assets Resulting from Operations	<u>184,924</u>	<u>385,703</u>
Distributions to Shareholders from:		
Net Investment Income	(23,734)	(21,914)
Net Realized Gain on Investments	<u>(19,343)</u>	<u>(8,037)</u>
Net Decrease in Net Assets Resulting from Distributions to Shareholders	<u>(43,077)</u>	<u>(29,951)</u>
Fund Share Transactions:		
Proceeds from Sale of 53,590 and 64,442 Shares	147,360	153,657
Proceeds from Shares Issued on Reinvestments of Distributions Paid (16,097 and 13,329 Shares, respectively)	43,077	29,951
Payments for 67,111 and 62,305 Shares Redeemed	<u>(184,282)</u>	<u>(146,121)</u>
Net Increase (Decrease) in Net Assets Resulting from Fund Share Transactions	<u>6,155</u>	<u>37,487</u>
Total Increase (Decrease) in Net Assets	148,002	393,239
Net Assets		
Beginning of Period	<u>1,756,120</u>	<u>1,362,881</u>
End of Period	<u>\$1,904,122</u>	<u>\$1,756,120</u>

Asset Allocation Portfolio

	For the Year Ended December 31, 2004	For the Year Ended December 31, 2003
(In thousands)		
Change in Net Assets		
Operations		
Net Investment Income (Loss)	\$ 3,101	\$ 2,087
Net Realized Gain (Loss) on Investments and Foreign Currencies	4,055	3,511
Net Change in Unrealized Appreciation (Depreciation) of Investments	<u>9,663</u>	<u>16,774</u>
Net Increase (Decrease) in Net Assets Resulting from Operations	<u>16,819</u>	<u>22,372</u>
Distributions to Shareholders from:		
Net Investment Income	—	(2,122)
Net Realized Gain on Investments	—	—
Net Decrease in Net Assets Resulting from Distributions to Shareholders	<u>—</u>	<u>(2,122)</u>
Fund Share Transactions:		
Proceeds from Sale of 62,501 and 60,300 Shares	65,021	55,946
Proceeds from Shares Issued on Reinvestments of Distributions Paid (0 and 2,087 Shares, respectively)	—	2,122
Payments for 15,192 and 35,897 Shares Redeemed	<u>(15,750)</u>	<u>(35,100)</u>
Net Increase (Decrease) in Net Assets Resulting from Fund Share Transactions	<u>49,271</u>	<u>22,968</u>
Total Increase (Decrease) in Net Assets	66,090	43,218
Net Assets		
Beginning of Period	<u>130,478</u>	<u>87,260</u>
End of Period	<u>\$196,568</u>	<u>\$130,478</u>

The Accompanying Notes are an Integral Part of the Financial Statements

Statements of Changes in Net Assets

Northwestern Mutual Series Fund, Inc.

Balanced Portfolio

	For the Year Ended December 31, 2004	For the Year Ended December 31, 2003
	(In thousands)	
Change in Net Assets		
Operations		
Net Investment Income (Loss)	\$ 78,448	\$ 73,405
Net Realized Gain (Loss) on Investments and Foreign Currencies	54,164	138,458
Net Change in Unrealized Appreciation (Depreciation) of Investments	89,460	233,710
Net Increase (Decrease) in Net Assets Resulting from Operations	<u>222,072</u>	<u>445,573</u>
Distributions to Shareholders from:		
Net Investment Income	(73,596)	(85,974)
Net Realized Gain on Investments	<u>(103,896)</u>	<u>—</u>
Net Decrease in Net Assets Resulting from Distributions to Shareholders	<u>(177,492)</u>	<u>(85,974)</u>
Fund Share Transactions:		
Proceeds from Sale of 95,815 and 98,048 Shares	174,463	167,389
Proceeds from Shares Issued on Reinvestments of Distributions Paid (102,300 and 52,328 Shares, respectively)	177,492	85,974
Payments for 167,929 and 167,140 Shares Redeemed	<u>(304,844)</u>	<u>(283,003)</u>
Net Increase (Decrease) in Net Assets Resulting from Fund Share Transactions	<u>47,111</u>	<u>(29,640)</u>
Total Increase (Decrease) in Net Assets	91,691	329,959
Net Assets		
Beginning of Period	<u>2,891,488</u>	<u>2,561,529</u>
End of Period	<u>\$2,983,179</u>	<u>\$2,891,488</u>

High Yield Bond Portfolio

	For the Year Ended December 31, 2004	For the Year Ended December 31, 2003
	(In thousands)	
Change in Net Assets		
Operations		
Net Investment Income (Loss)	\$ 15,568	\$ 14,601
Net Realized Gain (Loss) on Investments and Foreign Currencies	11,051	7,972
Net Change in Unrealized Appreciation (Depreciation) of Investments	(1,107)	20,079
Net Increase (Decrease) in Net Assets Resulting from Operations	<u>25,512</u>	<u>42,652</u>
Distributions to Shareholders from:		
Net Investment Income	(14,554)	(362)
Net Realized Gain on Investments	<u>—</u>	<u>—</u>
Net Decrease in Net Assets Resulting from Distributions to Shareholders	<u>(14,554)</u>	<u>(362)</u>
Fund Share Transactions:		
Proceeds from Sale of 49,668 and 80,917 Shares	35,967	52,808
Proceeds from Shares Issued on Reinvestments of Distributions Paid (21,213 and 572 Shares, respectively)	14,554	362
Payments for 43,729 and 50,808 Shares Redeemed	<u>(31,538)</u>	<u>(33,642)</u>
Net Increase (Decrease) in Net Assets Resulting from Fund Share Transactions	<u>18,983</u>	<u>19,528</u>
Total Increase (Decrease) in Net Assets	29,941	61,818
Net Assets		
Beginning of Period	<u>199,371</u>	<u>137,553</u>
End of Period	<u>\$229,312</u>	<u>\$199,371</u>

The Accompanying Notes are an Integral Part of the Financial Statements

Statements of Changes in Net Assets

Northwestern Mutual Series Fund, Inc.

Select Bond Portfolio	For the	For the
	Year Ended December 31, 2004	Year Ended December 31, 2003
	(In thousands)	
Change in Net Assets		
Operations		
Net Investment Income (Loss)	\$ 25,092	\$ 25,481
Net Realized Gain (Loss) on Investments and Foreign Currencies	8,052	17,559
Net Change in Unrealized Appreciation (Depreciation) of Investments	<u>(4,113)</u>	<u>(10,035)</u>
Net Increase (Decrease) in Net Assets Resulting from Operations	29,031	33,005
Distributions to Shareholders from:		
Net Investment Income	(25,605)	(24,369)
Net Realized Gain on Investments	<u>(17,701)</u>	<u>(13,905)</u>
Net Decrease in Net Assets Resulting from Distributions to Shareholders	(43,306)	(38,274)
Fund Share Transactions:		
Proceeds from Sale of 88,198 and 106,806 Shares	108,312	135,872
Proceeds from Shares Issued on Reinvestments of Distributions Paid (37,204 and 31,067 Shares, respectively)	43,306	38,274
Payments for 79,381 and 105,045 Shares Redeemed	<u>(97,641)</u>	<u>(131,570)</u>
Net Increase (Decrease) in Net Assets Resulting from Fund Share Transactions	53,977	42,576
Total Increase (Decrease) in Net Assets	39,702	37,307
Net Assets		
Beginning of Period	621,325	584,018
End of Period	<u>\$661,027</u>	<u>\$ 621,325</u>

Money Market Portfolio	For the	For the
	Year Ended December 31, 2004	Year Ended December 31, 2003
	(In thousands)	
Change in Net Assets		
Operations		
Net Investment Income (Loss)	\$ 5,155	\$ 5,837
Net Realized Gain (Loss) on Investments and Foreign Currencies	—	—
Net Change in Unrealized Appreciation (Depreciation) of Investments	<u>—</u>	<u>—</u>
Net Increase (Decrease) in Net Assets Resulting from Operations	5,155	5,837
Distributions to Shareholders from:		
Net Investment Income	(5,155)	(5,836)
Net Realized Gain on Investments	<u>—</u>	<u>—</u>
Net Decrease in Net Assets Resulting from Distributions to Shareholders	(5,155)	(5,836)
Fund Share Transactions:		
Proceeds from Sale of 156,221 and 420,450 Shares	156,229	420,450
Proceeds from Shares Issued on Reinvestments of Distributions Paid (5,155 and 5,836 Shares, respectively)	5,155	5,836
Payments for 216,789 and 527,727 Shares Redeemed	<u>(216,789)</u>	<u>(527,727)</u>
Net Increase (Decrease) in Net Assets Resulting from Fund Share Transactions	(55,405)	(101,441)
Total Increase (Decrease) in Net Assets	(55,405)	(101,440)
Net Assets		
Beginning of Period	399,873	501,313
End of Period	<u>\$ 344,468</u>	<u>\$ 399,873</u>

The Accompanying Notes are an Integral Part of the Financial Statements

Financial Highlights

Northwestern Mutual Series Fund, Inc.

Small Cap Growth Stock Portfolio

<i>(For a share outstanding throughout the period)</i>	For the Year Ended December 31,				
	2004	2003	2002	2001	2000
Selected Per Share Data					
Net Asset Value, Beginning of Period	\$ 1.94	\$ 1.46	\$ 1.79	\$ 1.86	\$ 1.79
Income from Investment Operations:					
Net Investment Income	(0.01)	—	—	—	—
Net Realized and Unrealized Gains (Losses) on Investments	0.37	0.48	(0.33)	(0.07)	0.13
Total from Investment Operations	0.36	0.48	(0.33)	(0.07)	0.13
Less Distributions:					
Distributions from Net Investment Income	—	—	—	—	—
Distributions from Realized Gains on Investments	—	—	—	—	(0.06)
Total Distributions	—	—	—	—	(0.06)
Net Asset Value, End of Period	\$ 2.30	\$ 1.94	\$ 1.46	\$ 1.79	\$ 1.86
Total Return(d)	18.80%	33.06%	(18.42%)	(3.76%)	6.71%
Ratios and Supplemental Data					
Net Assets, End of Period (in thousands)	\$442,420	\$366,612	\$ 254,880	\$291,448	\$250,314
Ratio of Expenses to Average Net Assets	0.57%	0.59%	0.60%	0.60%	0.67%
Ratio of Net Investment Income (Loss) to Average Net Assets	(0.30%)	(0.35%)	(0.26%)	0.17%	0.19%
Portfolio Turnover Rate	87.74%	84.20%	41.87%	70.58%	86.13%

T. Rowe Price Small Cap Value Portfolio

<i>(For a share outstanding throughout the period)</i>	For the Year Ended December 31,			For the Period July 31, 2001(a) through December 31, 2001
	2004	2003	2002	
Selected Per Share Data				
Net Asset Value, Beginning of Period	\$ 1.29	\$ 0.95	\$ 1.02	\$ 1.00
Income from Investment Operations:				
Net Investment Income	0.01	0.01	0.01	—
Net Realized and Unrealized Gains on Investments	0.30	0.33	(0.07)	0.02
Total from Investment Operations	0.31	0.34	(0.06)	0.02
Less Distributions:				
Distributions from Net Investment Income	—	—	(0.01)	—
Distributions from Realized Gains on Investments	(0.02)	—	—	—
Total Distributions	(0.02)	—	(0.01)	—
Net Asset Value, End of Period	\$ 1.58	\$ 1.29	\$ 0.95	\$ 1.02
Total Return(d)	24.57%	35.15%	(5.58%)	1.76%
Ratios and Supplemental Data				
Net Assets, End of Period (in thousands)	\$200,143	\$121,944	\$ 63,083	\$ 21,003
Ratio of Gross Expenses to Average Net Assets	0.88%	0.90%	1.02%	1.36%(c)
Ratio of Net Expenses to Average Net Assets	0.88%	0.90%	1.00%	1.00%(c)
Ratio of Net Investment Income (Losses) to Average Net Assets	0.81%	0.65%	0.54%	1.03%(c)
Portfolio Turnover Rate	19.22%	33.78%	28.26%	49.70%

(a) Portfolio commenced operations July 31, 2001.

(c) Computed on an annualized basis.

(d) Total Return includes deductions for management and other fund expenses; excludes deductions for sales loads and account fees, not annualized for period less than one year.

The Accompanying Notes are an Integral Part of the Financial Statements.

Financial Highlights

Northwestern Mutual Series Fund, Inc.

Aggressive Growth Stock Portfolio

(For a share outstanding throughout the period)

	For the Year Ended December 31,				
	2004	2003	2002	2001	2000
Selected Per Share Data					
Net Asset Value, Beginning of Period	\$ 2.72	\$ 2.18	\$ 2.82	\$ 4.47	\$ 4.81
Income from Investment Operations:					
Net Investment Income	0.0(e)	—	—	—	—
Net Realized and Unrealized Gains (Losses) on Investments	0.39	0.54	(0.59)	(0.83)	0.29
Total from Investment Operations	0.39	0.54	(0.59)	(0.83)	0.29
Less Distributions:					
Distributions from Net Investment Income	—	—	—	—	—
Distributions from Realized Gains on Investments	—	—	(0.05)	(0.82)	(0.63)
Total Distributions	—	—	(0.05)	(0.82)	(0.63)
Net Asset Value, End of Period	\$ 3.11	\$ 2.72	\$ 2.18	\$ 2.82	\$ 4.47
Total Return(d)	14.22%	24.69%	(21.15%)	(19.87%)	6.18%
Ratios and Supplemental Data					
Net Assets, End of Period (in thousands)	\$1,278,495	\$1,187,542	\$994,075	\$1,341,876	\$1,696,013
Ratio of Expenses to Average Net Assets	0.52%	0.52%	0.52%	0.52%	0.52%
Ratio of Net Investment Income (Loss) to Average Net Assets	0.05%	(0.10%)	(0.11%)	0.08%	0.09%
Portfolio Turnover Rate	71.24%	63.21%	43.37%	70.40%	63.18%

International Growth Portfolio

(For a share outstanding throughout the period)

	For the Year Ended December 31,			For the Period
	2004	2003	2002	July 31, 2001(a) through December 31, 2001
Selected Per Share Data				
Net Asset Value, Beginning of Period	\$ 1.09	\$ 0.79	\$ 0.91	\$ 1.00
Income from Investment Operations:				
Net Investment Income	0.01	0.01	—	—
Net Realized and Unrealized Gains (Losses) on Investments	0.23	0.30	(0.12)	(0.09)
Total from Investment Operations	0.24	0.31	(0.12)	(0.09)
Less Distributions:				
Distributions from Net Investment Income	(0.01)	(0.01)	—	—
Distributions from Realized Gains on Investments	—	—	—	—
Total Distributions	(0.01)	(0.01)	—	—
Net Asset Value, End of Period	\$ 1.32	\$ 1.09	\$ 0.79	\$ 0.91
Total Return(d)	21.59%	38.99%	(12.34%)	(9.40%)
Ratios and Supplemental Data				
Net Assets, End of Period (in thousands)	\$110,498	\$ 66,690	\$ 35,373	\$ 26,900
Ratio of Gross Expenses to Average Net Assets	0.98%	1.25%	1.15%	1.25%(c)
Ratio of Net Expenses to Average Net Assets	0.98%	1.10%	1.10%	1.10%(c)
Ratio of Net Investment Income (Loss) to Average Net Assets	0.81%	0.79%	0.62%	0.05%(c)
Portfolio Turnover Rate	70.84%	58.09%	27.28%	18.45%

(a) Portfolio commenced operations July 31, 2001.

(c) Computed on an annualized basis.

(d) Total Return includes deductions for management and other fund expenses; excludes deductions for sales loads and account fees, not annualized for period less than one year.

(e) Amount is less than \$0.005.

The Accompanying Notes are an Integral Part of the Financial Statements.

Financial Highlights

Northwestern Mutual Series Fund, Inc.

Franklin Templeton International Equity

	For the Year Ended December 31,				
	2004	2003	2002	2001	2000
<i>(For a share outstanding throughout the period)</i>					
Selected Per Share Data					
Net Asset Value, Beginning of Period	\$ 1.41	\$ 1.02	\$ 1.26	\$ 1.63	\$ 1.78
Income from Investment Operations:					
Net Investment Income	0.03	0.03	0.02	0.02	0.02
Net Realized and Unrealized Gains (Losses) on Investments	0.24	0.38	(0.24)	(0.23)	(0.04)
Total from Investment Operations	0.27	0.41	(0.22)	(0.21)	(0.02)
Less Distributions:					
Distributions from Net Investment Income	(0.03)	(0.02)	(0.02)	(0.03)	(0.04)
Distributions from Realized Gains on Investments	—	—	—	(0.13)	(0.09)
Total Distributions	(0.03)	(0.02)	(0.02)	(0.16)	(0.13)
Net Asset Value, End of Period	\$ 1.65	\$ 1.41	\$ 1.02	\$ 1.26	\$ 1.63
Total Return(d)	19.33%	40.46%	(17.40%)	(14.00%)	(0.79%)
Ratios and Supplemental Data					
Net Assets, End of Period (in thousands)	\$980,977	\$795,707	\$563,102	\$716,413	\$809,617
Ratio of Expenses to Average Net Assets	0.72%	0.74%	0.74%	0.74%	0.73%
Ratio of Net Investment Income (Loss) to Average Net Assets	2.23%	2.33%	1.72%	1.99%	1.77%
Portfolio Turnover Rate	18.65%	24.87%	30.94%	34.52%	26.95%

AllianceBernstein Mid Cap Value Portfolio

(For a share outstanding throughout the period)

	For the	For the Period
	Year Ended	May 1, 2003(b)
	December 31,	through
	2004	December 31,
		2003
Selected Per Share Data		
Net Asset Value, Beginning of Period	\$ 1.32	\$ 1.00
Income from Investment Operations:		
Net Investment Income	0.01	0.01
Net Realized and Unrealized Gains (Losses) on Investments	0.22	0.32
Total from Investment Operations	0.23	0.33
Less Distributions:		
Distributions from Net Investment Income	(0.01)	(0.00)(e)
Distributions from Realized Gains on Investments	(0.09)	(0.01)
Total Distributions	(0.10)	(0.01)
Net Asset Value, End of Period	\$ 1.45	\$ 1.32
Total Return(d)	18.67%	33.16%
Ratios and Supplemental Data		
Net Assets, End of Period (in thousands)	\$ 72,131	\$ 44,091
Ratio of Gross Expenses to Average Net Assets	0.89%	0.94%(c)
Ratio of Net Expenses to Average Net Assets	0.89%	0.93%(c)
Ratio of Net Investment Income (Loss) to Average Net Assets	1.00%	0.70%(c)
Portfolio Turnover Rate	33.05%	9.68%

(b) Portfolio commenced operations on May 1, 2003.

(c) Computed on an annualized basis.

(d) Total Return includes deductions for management and other fund expenses; excludes deductions for sales loads and account fees, not annualized for period less than one year.

(e) Amount is less than \$0.005.

The Accompanying Notes are an Integral Part of the Financial Statements.

Financial Highlights

Northwestern Mutual Series Fund, Inc.

Index 400 Stock Portfolio

(For a share outstanding throughout the period)

	For the Year Ended December 31,				
	2004	2003	2002	2001	2000
Selected Per Share Data					
Net Asset Value, Beginning of Period	\$ 1.28	\$ 0.95	\$ 1.12	\$ 1.14	\$ 1.11
Income from Investment Operations:					
Net Investment Income (Loss)	0.01	0.01	0.01	—	0.02
Net Realized and Unrealized Gains (Losses) on Investments	0.19	0.33	(0.17)	(0.01)	0.16
Total from Investment Operations	0.20	0.34	(0.16)	(0.01)	0.18
Less Distributions:					
Distributions from Net Investment Income	(0.01)	(0.01)	(0.01)	—	(0.02)
Distributions from Realized Gains on Investments	(0.01)	—	—	(0.01)	(0.13)
Total Distributions	(0.02)	(0.01)	(0.01)	(0.01)	(0.15)
Net Asset Value, End of Period	\$ 1.46	\$ 1.28	\$ 0.95	\$ 1.12	\$ 1.14
Total Return(d)	16.26%	35.01%	(14.54%)	(0.65%)	17.21%
Ratios and Supplemental Data					
Net Assets, End of Period (in thousands)	\$426,827	\$342,500	\$225,410	\$210,734	\$137,616
Ratio of Expenses to Average Net Assets	0.26%	0.27%	0.28%	0.31%	0.32%
Ratio of Net Investment Income to Average Net Assets	0.96%	0.92%	0.86%	1.06%	1.71%
Portfolio Turnover Rate	16.46%	9.74%	15.60%	19.06%	54.60%

Janus Capital Appreciation Portfolio

(For a share outstanding throughout the period)

	For the	For the Period
	Year Ended	May 1, 2003(b)
	December 31,	through
	2004	December 31,
		2003
Selected Per Share Data		
Net Asset Value, Beginning of Period	\$ 1.20	\$ 1.00
Income from Investment Operations:		
Net Investment Income (Loss)	0.00(e)	—
Net Realized and Unrealized Gains (Losses) on Investments	0.23	0.20
Total from Investment Operations	0.23	0.20
Less Distributions:		
Distributions from Net Investment Income	—	(0.00)(e)
Distributions from Realized Gains on Investments	—	(0.00)(e)
Total Distributions	—	(0.00)(e)
Net Asset Value, End of Period	\$ 1.43	\$ 1.20
Total Return(d)	19.67%	19.90%
Ratios and Supplemental Data		
Net Assets, End of Period (in thousands)	\$ 56,690	\$ 36,730
Ratio of Expenses to Average Net Assets	0.84%	0.90%(c)
Ratio of Net Investment Income to Average Net Assets	(0.03%)	0.07%(c)
Portfolio Turnover Rate	25.42%	33.68%

(b) Portfolio commenced operations on May 1, 2003.

(c) Computed on an annualized basis.

(d) Total Return includes deductions for management and other fund expenses; excludes deductions for sales loads and account fees, not annualized for period less than one year.

(e) Amount is less than \$0.005.

The Accompanying Notes are an Integral Part of the Financial Statements.

Financial Highlights

Northwestern Mutual Series Fund, Inc.

Growth Stock Portfolio

<i>(For a share outstanding throughout the period)</i>	For the Year Ended December 31,				
	2004	2003	2002	2001	2000
Selected Per Share Data					
Net Asset Value, Beginning of Period	\$ 1.87	\$ 1.59	\$ 2.03	\$ 2.47	\$ 2.66
Income from Investment Operations:					
Net Investment Income (Loss)	0.02	0.01	0.01	0.02	0.03
Net Realized and Unrealized Gains (Losses) on Investments	0.10	0.28	(0.43)	(0.36)	(0.09)
Total from Investment Operations	0.12	0.29	(0.42)	(0.34)	(0.06)
Less Distributions:					
Distributions from Net Investment Income	(0.01)	(0.01)	(0.02)	(0.02)	(0.02)
Distributions from Realized Gains on Investments	—	—	—	(0.08)	(0.11)
Total Distributions	(0.01)	(0.01)	(0.02)	(0.10)	(0.13)
Net Asset Value, End of Period	\$ 1.98	\$ 1.87	\$ 1.59	\$ 2.03	\$ 2.47
Total Return(d)	6.67%	18.94%	(20.83%)	(14.22%)	(2.49%)
Ratios and Supplemental Data					
Net Assets, End of Period (in thousands)	\$686,849	\$665,871	\$551,421	\$696,578	\$770,816
Ratio of Expenses to Average Net Assets	0.43%	0.43%	0.43%	0.43%	0.43%
Ratio of Net Investment Income to Average Net Assets	1.07%	0.77%	0.76%	1.01%	1.12%
Portfolio Turnover Rate	34.53%	40.89%	28.06%	27.98%	28.01%

Large Cap Core Stock Portfolio

<i>(For a share outstanding throughout the period)</i>	For the Year Ended December 31,				
	2004	2003	2002	2001	2000
Selected Per Share Data					
Net Asset Value, Beginning of Period	\$ 1.07	\$ 0.87	\$ 1.22	\$ 1.37	\$ 1.56
Income from Investment Operations:					
Net Investment Income (Loss)	0.02	0.01	0.01	0.01	0.01
Net Realized and Unrealized Gains (Losses) on Investments	0.06	0.20	(0.35)	(0.11)	(0.11)
Total from Investment Operations	0.08	0.21	(0.34)	(0.10)	(0.10)
Less Distributions:					
Distributions from Net Investment Income	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Distributions from Realized Gains on Investments	—	—	—	(0.04)	(0.08)
Total Distributions	(0.01)	(0.01)	(0.01)	(0.05)	(0.09)
Net Asset Value, End of Period	\$ 1.14	\$ 1.07	\$ 0.87	\$ 1.22	\$ 1.37
Total Return(d)	8.16%	24.05%	(28.20%)	(7.77%)	(6.97%)
Ratios and Supplemental Data					
Net Assets, End of Period (in thousands)	\$469,935	\$447,554	\$365,944	\$548,672	\$579,981
Ratio of Expenses to Average Net Assets	0.44%	0.46%	0.58%	0.58%	0.57%
Ratio of Net Investment Income to Average Net Assets	1.41%	1.07%	0.85%	0.75%	0.68%
Portfolio Turnover Rate	33.64%	58.90%	29.20%	44.37%	47.67%

(d) Total Return includes deductions for management and other fund expenses; excludes deductions for sales loads and account fees, not annualized for period less than one year.

The Accompanying Notes are an Integral Part of the Financial Statements.

Financial Highlights

Northwestern Mutual Series Fund, Inc.

Capital Guardian Domestic Equity Portfolio

(For a share outstanding throughout the period)

	For the Year Ended December 31,			For the Period
	2004	2003	2002	July 31, 2001(a) through December 31, 2001
Selected Per Share Data				
Net Asset Value, Beginning of Period	\$ 1.00	\$ 0.76	\$ 0.97	\$ 1.00
Income from Investment Operations:				
Net Investment Income	0.02	0.01	0.01	—
Net Realized and Unrealized Gains (Losses) on Investments	0.15	0.24	(0.21)	(0.03)
Total from Investment Operations	0.17	0.25	(0.20)	(0.03)
Less Distributions:				
Distributions from Net Investment Income	(0.01)	(0.01)	(0.01)	—
Distributions from Realized Gains on Investments	(0.02)	—	—	—
Total Distributions	(0.03)	(0.01)	(0.01)	—
Net Asset Value, End of Period	\$ 1.14	\$ 1.00	\$ 0.76	\$ 0.97
Total Return(d)	16.85%	34.41%	(21.24%)	(2.19%)
Ratios and Supplemental Data				
Net Assets, End of Period (in thousands)	\$211,977	\$136,099	\$ 74,274	\$ 40,722
Ratio of Gross Expenses to Average Net Assets	0.62%	0.67%	0.70%	0.90%(c)
Ratio of Net Expenses to Average Net Assets	0.62%	0.67%	0.70%	0.75%(c)
Ratio of Net Investment Income to Average Net Assets	1.63%	1.84%	1.54%	1.32%(c)
Portfolio Turnover Rate	32.97%	29.20%	22.42%	18.98%

T. Rowe Price Equity Income Portfolio

(For a share outstanding throughout the period)

	For the	For the Period
	Year Ended December 31, 2004	May 1, 2003(b) through December 31, 2003
Selected Per Share Data		
Net Asset Value, Beginning of Period	\$ 1.22	\$ 1.00
Income from Investment Operations:		
Net Investment Income	0.02	0.01
Net Realized and Unrealized Gains (Losses) on Investments	0.17	0.23
Total from Investment Operations	0.19	0.24
Less Distributions:		
Distributions from Net Investment Income	(0.02)	(0.01)
Distributions from Realized Gains on Investments	(0.04)	(0.01)
Total Distributions	(0.06)	(0.02)
Net Asset Value, End of Period	\$ 1.35	\$ 1.22
Total Return(d)	15.16%	23.64%
Ratios and Supplemental Data		
Net Assets, End of Period (in thousands)	\$ 89,747	\$ 47,664
Ratio of Gross Expenses to Average Net Assets	0.69%	0.77%(c)
Ratio of Net Expenses to Average Net Assets	0.69%	0.75%(c)
Ratio of Net Investment Income to Average Net Assets	1.74%	1.88%(c)
Portfolio Turnover Rate	15.21%	27.27%

(a) Portfolio commenced operations July 31, 2001.

(b) Portfolio commenced operations on May 1, 2003.

(c) Computed on an annualized basis.

(d) Total Return includes deductions for management and other fund expenses; excludes deductions for sales loads and account fees, not annualized for period less than one year.

The Accompanying Notes are an Integral Part of the Financial Statements.

Financial Highlights

Northwestern Mutual Series Fund, Inc.

Index 500 Stock Portfolio

	For the Year Ended December 31,				
	2004	2003	2002	2001	2000
<i>(For a share outstanding throughout the period)</i>					
Selected Per Share Data					
Net Asset Value, Beginning of Period	\$ 2.72	\$ 2.17	\$ 2.87	\$ 3.41	\$ 3.89
Income from Investment Operations:					
Net Investment Income (Loss)	0.05	0.04	0.03	0.03	0.04
Net Realized and Unrealized Gains (Losses) on Investments	0.24	0.56	(0.64)	(0.43)	(0.37)
Total from Investment Operations	0.29	0.60	(0.61)	(0.40)	(0.33)
Less Distributions:					
Distributions from Net Investment Income	(0.04)	(0.04)	(0.03)	(0.04)	(0.04)
Distributions from Realized Gains on Investments	(0.03)	(0.01)	(0.06)	(0.10)	(0.11)
Total Distributions	(0.07)	(0.05)	(0.09)	(0.14)	(0.15)
Net Asset Value, End of Period	\$ 2.94	\$ 2.72	\$ 2.17	\$ 2.87	\$ 3.41
Total Return(d)	10.70%	28.43%	(22.07%)	(11.88%)	(8.75%)
Ratios and Supplemental Data					
Net Assets, End of Period (in thousands)	\$1,904,122	\$1,756,120	\$1,362,881	\$1,821,875	\$2,072,937
Ratio of Expenses to Average Net Assets	0.20%	0.20%	0.21%	0.21%	0.20%
Ratio of Net Investment Income to Average Net Assets	1.83%	1.59%	1.40%	1.13%	1.08%
Portfolio Turnover Rate	3.45%	2.44%	6.55%	2.92%	6.47%

Asset Allocation Portfolio

	For the Year Ended December 31,			For the Period
	2004	2003	2002	July 31, 2001(a) through December 31, 2001
<i>(For a share outstanding throughout the period)</i>				
Selected Per Share Data				
Net Asset Value, Beginning of Period	\$ 1.02	\$ 0.86	\$ 0.97	\$ 1.00
Income from Investment Operations:				
Net Investment Income	0.02	0.02	0.01	0.01
Net Realized and Unrealized Gains (Losses) on Investments	0.08	0.16	(0.11)	(0.03)
Total from Investment Operations	0.10	0.18	(0.10)	(0.02)
Less Distributions:				
Distributions from Net Investment Income	—	(0.02)	(0.01)	(0.01)
Distributions from Realized Gains on Investments	—	—	—	—
Total Distributions	—	(0.02)	(0.01)	(0.01)
Net Asset Value, End of Period	\$ 1.12	\$ 1.02	\$ 0.86	\$ 0.97
Total Return(d)	10.02%	20.63%	(10.26%)	(2.10%)
Ratios and Supplemental Data				
Net Assets, End of Period (in thousands)	\$ 196,568	\$ 130,478	\$ 87,260	\$ 40,116
Ratio of Gross Expenses to Average Net Assets	0.64%	0.73%	0.87%	0.92%(c)
Ratio of Net Expenses to Average Net Assets	0.64%	0.73%	0.75%	0.75%(c)
Ratio of Net Investment Income to Average Net Assets	1.90%	1.83%	2.18%	2.19%(c)
Portfolio Turnover Rate	116.65%	103.77%	112.73%	55.88%

(a) Portfolio commenced operations July 31, 2001.

(c) Computed on an annualized basis.

(d) Total Return includes deductions for management and other fund expenses; excludes deductions for sales loads and account fees, not annualized for period less than one year.

The Accompanying Notes are an Integral Part of the Financial Statements.

Financial Highlights

Northwestern Mutual Series Fund, Inc.

Balanced Portfolio

	For the Year Ended December 31,				
	2004	2003	2002	2001	2000
<i>(For a share outstanding throughout the period)</i>					
Selected Per Share Data					
Net Asset Value, Beginning of Period	\$ 1.85	\$ 1.62	\$ 1.82	\$ 2.03	\$ 2.22
Income from Investment Operations:					
Net Investment Income (Loss)	0.05	0.05	0.06	0.08	0.08
Net Realized and Unrealized Gains (Losses) on Investments	0.09	0.24	(0.20)	(0.13)	(0.09)
Total from Investment Operations	0.14	0.29	(0.14)	(0.05)	(0.01)
Less Distributions:					
Distributions from Net Investment Income	(0.05)	(0.06)	(0.06)	(0.08)	(0.07)
Distributions from Realized Gains on Investments	(0.07)	—	—	(0.08)	(0.11)
Total Distributions	(0.12)	(0.06)	(0.06)	(0.16)	(0.18)
Net Asset Value, End of Period	\$ 1.87	\$ 1.85	\$ 1.62	\$ 1.82	\$ 2.03
Total Return(d)	7.89%	17.99%	(7.54%)	(3.15%)	(0.17%)
Ratios and Supplemental Data					
Net Assets, End of Period (in thousands)	\$2,983,179	\$2,891,488	\$2,561,529	\$3,011,137	\$3,253,199
Ratio of Expenses to Average Net Assets	0.30%	0.30%	0.30%	0.30%	0.30%
Ratio of Net Investment Income to Average Net Assets	2.71%	2.74%	3.08%	3.75%	3.47%
Portfolio Turnover Rate	100.02%	69.56%	53.12%	50.37%	24.36%

High Yield Bond Portfolio

	For the Year Ended December 31,				
	2004	2003	2002	2001	2000
<i>(For a share outstanding throughout the period)</i>					
Selected Per Share Data					
Net Asset Value, Beginning of Period	\$ 0.73	\$ 0.56	\$ 0.65	\$ 0.69	\$ 0.82
Income from Investment Operations:					
Net Investment Income	0.05	0.05	0.07	0.08	0.09
Net Realized and Unrealized Gains (Losses) on Investments	0.03	0.12	(0.09)	(0.04)	(0.13)
Total from Investment Operations	0.08	0.17	(0.02)	0.04	(0.04)
Less Distributions:					
Distributions from Net Investment Income	(0.05)	(0.00)(e)	(0.07)	(0.08)	(0.09)
Distributions from Realized Gains on Investments	—	—	—	—	—
Total Distributions	(0.05)	—	(0.07)	(0.08)	(0.09)
Net Asset Value, End of Period	\$ 0.76	\$ 0.73	\$ 0.56	\$ 0.65	\$ 0.69
Total Return(d)	12.76%	29.06%	(2.89%)	5.03%	(4.60%)
Ratios and Supplemental Data					
Net Assets, End of Period (in thousands)	\$ 229,312	\$ 199,371	\$137,553	\$147,670	\$ 138,207
Ratio of Gross Expenses to Average Net Assets	0.50%	0.52%	0.54%	0.53%	0.53%
Ratio of Net Expenses to Average Net Assets	0.50%	0.52%	0.54%	0.53%	0.52%
Ratio of Net Investment Income to Average Net Assets	7.42%	8.66%	10.37%	10.48%	10.90%
Portfolio Turnover Rate	162.00%	182.10%	89.20%	96.41%	124.91%

(d) Total Return includes deductions for management and other fund expenses; excludes deductions for sales loads and account fees, not annualized for period less than one year.

(e) Amount is less than \$0.005.

The Accompanying Notes are an Integral Part of the Financial Statements.

Financial Highlights

Northwestern Mutual Series Fund, Inc.

Select Bond Portfolio

<i>(For a share outstanding throughout the period)</i>	For the Year Ended December 31,				
	2004	2003	2002	2001	2000
Selected Per Share Data					
Net Asset Value, Beginning of Period	\$ 1.26	\$ 1.27	\$ 1.20	\$ 1.16	\$ 1.13
Income from Investment Operations:					
Net Investment Income	0.05	0.05	0.05	0.06	0.08
Net Realized and Unrealized Gains (Losses) on Investments	0.01	0.02	0.09	0.05	0.03
Total from Investment Operations	0.06	0.07	0.14	0.11	0.11
Less Distributions:					
Distributions from Net Investment Income	(0.05)	(0.05)	(0.06)	(0.07)	(0.08)
Distributions from Realized Gains on Investments	(0.04)	(0.03)	(0.01)	—	—
Total Distributions	(0.09)	(0.08)	(0.07)	(0.07)	(0.08)
Net Asset Value, End of Period	\$ 1.23	\$ 1.26	\$ 1.27	\$ 1.20	\$ 1.16
Total Return(d)	4.75%	5.49%	12.09%	10.37%	10.21%
Ratios and Supplemental Data					
Net Assets, End of Period (in thousands)	\$ 661,027	\$ 621,325	\$ 584,018	\$ 405,406	\$ 291,678
Ratio of Expenses to Average Net Assets	0.30%	0.30%	0.30%	0.30%	0.30%
Ratio of Net Investment Income to Average Net Assets	3.99%	4.03%	5.01%	6.15%	6.84%
Portfolio Turnover Rate	213.87%	137.05%	184.37%	151.27%	139.89%

Money Market Portfolio

<i>(For a share outstanding throughout the period)</i>	For the Year Ended December 31,				
	2004	2003	2002	2001	2000
Selected Per Share Data					
Net Asset Value, Beginning of Period	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Income from Investment Operations:					
Net Investment Income	0.01	0.01	0.02	0.04	0.06
Total from Investment Operations	0.01	0.01	0.02	0.04	0.06
Less Distributions:					
Distributions from Net Investment Income	(0.01)	(0.01)	(0.02)	(0.04)	(0.06)
Total Distributions	(0.01)	(0.01)	(0.02)	(0.04)	(0.06)
Net Asset Value, End of Period	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Total Return(d)	1.43%	1.23%	1.65%	3.91%	6.28%
Ratios and Supplemental Data					
Net Assets, End of Period (in thousands)	\$344,468	\$399,873	\$501,313	\$458,689	\$384,455
Ratio of Gross Expenses to Average Net Assets(f)	0.30%	0.30%	0.30%	0.30%	0.30%
Ratio of Net Expenses to Average Net Assets(f)	0.00%	0.00%	0.27%	0.30%	0.30%
Ratio of Net Investment Income to Average Net Assets	1.41%	1.23%	1.63%	3.76%	6.08%

- (d) Total Return includes deductions for management and other fund expenses; excludes deductions for sales loads and account fees, not annualized for period less than one year. For the Money Market Portfolio, total return includes the effect of a management fee waiver from December 2, 2002 through December 31, 2004, which ended on December 31, 2004. In the absence of such fee waiver, the total return would be less.
- (f) For the Money Market Portfolio, expense ratios reflect total expenses before a management fee waiver in effect for the period December 2, 2002 through December 31, 2004 ("Gross Expense Ratio") and after such waiver ("Net Expense Ratio"). The fee waiver ended on December 31, 2004.

The Accompanying Notes are an Integral Part of the Financial Statements.

Notes to Financial Statements

Northwestern Mutual Series Fund, Inc.

December 31, 2004

Note 1 — Northwestern Mutual Series Fund, Inc. (the “Series Fund”) is registered as a diversified open-end investment company under the Investment Company Act of 1940. The Series Fund consists of the Small Cap Growth Stock Portfolio, T. Rowe Price Small Cap Value Portfolio, Aggressive Growth Stock Portfolio, International Growth Portfolio, Franklin Templeton International Equity Portfolio, AllianceBernstein Mid Cap Value Portfolio, Index 400 Stock Portfolio, Janus Capital Appreciation Portfolio, Growth Stock Portfolio, Large Cap Core Stock Portfolio, Capital Guardian Domestic Equity Portfolio, T. Rowe Price Equity Income Portfolio, Index 500 Stock Portfolio, Asset Allocation Portfolio, Balanced Portfolio, High Yield Bond Portfolio, Select Bond Portfolio and the Money Market Portfolio (the “Portfolios”). Shares are presently offered only to The Northwestern Mutual Life Insurance Company (“Northwestern Mutual”) and its segregated asset accounts.

Note 2 — The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

Principal accounting policies are summarized below.

Note 3 — Stocks listed on a national or foreign stock exchange are generally valued at the last sale price on the exchange on which the security is principally traded. Stocks listed on the NASDAQ Stock Market, Inc. (“NASDAQ”) for which a NASDAQ Official Closing Price (“NOCP”) is available are valued at the NOCP. If there has been no sale on such exchange or on NASDAQ, the security is valued at the prior day’s price. Stocks traded only in the over-the-counter market and not on a securities exchange or NASDAQ are valued at the latest bid price. Bonds are valued on the basis of prices furnished by a service which determines prices for normal institutional-size trading units of bonds. Securities for which current market quotations are not readily available are valued at fair value determined by procedures approved by the Board of Directors. The fair value procedure is used if a significant event that is likely to have affected the value of the securities takes place after the time of the most recent market quotations or the market quotations for other reasons do not reflect information material to the value of those securities. Generally, money market investments, other than in the Money Market Portfolio, with maturities exceeding sixty days are valued by marking to market on the basis of an average of the most recent bid prices or yields. Generally, money market investments with maturities of sixty days or less and all securities in the Money Market Portfolio are valued on an

amortized cost basis or, if the current market value differs substantially from the amortized cost, by marking to market.

Note 4 — Certain of the Portfolios may have securities and other assets and liabilities denominated in foreign currencies which are translated into U.S. dollar amounts on the date of valuation. Purchases and sales of securities and income items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. When the Portfolios purchase or sell a foreign security they may enter into a foreign currency exchange contract to minimize market risk from the trade date to the settlement date of such transaction. Such foreign currency exchange contracts are marked to market daily.

The Portfolios may enter into forward foreign currency contracts to hedge against exchange rate risk arising from investments in securities denominated in foreign currencies. Contracts are valued at the contractual forward rate and are marked to market daily, with the change in market value recorded as an unrealized gain or loss. When the contracts are closed, a realized gain or loss is recorded. Risks may arise from changes in market value of the underlying instruments and from the possible inability of counterparties to meet the terms of their contracts.

The Portfolios do not separately report the results of operations due to changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized or unrealized gain or loss from investments.

Net realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade date and the settlement date on security transactions, and the differences between the amounts of dividends and foreign withholding taxes recorded on the Portfolio’s books and the U.S. dollar equivalent of the amounts actually received or paid.

Note 5 — The Small Cap Growth Stock, Aggressive Growth Stock, Index 400 Stock, Growth Stock, Index 500 Stock, Asset Allocation, Balanced and Select Bond Portfolios invest in futures contracts as an alternative to investing in individual securities and could be exposed to market risk due to changes in the value of the underlying securities or due to an illiquid secondary market. Futures contracts are marked to market daily based upon quoted settlement prices. The Portfolios receive from or pay to brokers an amount of cash equal to the daily fluctuation in the value of the contracts. Such receipts or payments, known as the “variation margin”, are recorded by the Portfolios as unrealized gains or losses. When a contract is closed, the Portfolios record a realized gain or loss

Notes to Financial Statements

equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

For federal income tax purposes, net unrealized appreciation (depreciation) on open futures contracts is generally required to be treated as realized gains (losses).

Note 6 — The Series Fund has a securities lending program that enables each Portfolio, except the Money Market Portfolio, to loan securities to approved broker-dealers. The Portfolio receives cash (U.S. currency), U.S. Government or U.S. Government agency obligations as collateral against the loaned securities. To the extent that a loan is collateralized by cash, such collateral shall be invested by the Portfolio to earn interest in accordance with the Portfolio's investment policies. For the year ended December 31, 2004, the Balanced and Select Bond Portfolios earned \$668,836 and \$237,170, respectively, in interest from securities lending activity. The collateral received under the securities lending program is recorded on the Portfolio's statement of assets and liabilities along with the related obligation to return the collateral.

Income generated from the investment of cash collateral, less negotiated rebate fees paid to participating brokers and transaction costs, is recorded as income for the Portfolio. All collateral received will be in an amount at least equal to 102% (for loans of U.S. securities) or 105% (for non-U.S. securities) of the market value of the loaned securities at the inception of each loan. Thereafter, each loan must be continuously secured by collateral at least equal at all times to the value of the securities lent. In addition, the Portfolio is

Note 8 — Interest income is recorded daily on the accrual basis and dividend income is recorded on the ex-dividend date or as soon as information from foreign issuers is available. Where applicable, dividends are recorded net of foreign dividend tax. Discounts and premiums on securities purchased are amortized over the life of the respective

entitled to terminate a securities loan at any time. As of December 31, 2004, the value of outstanding securities on loan and the value of collateral amounted to the following:

<u>Portfolio</u>	<u>Value of Securities on Loan</u>	<u>Value of Collateral</u>
Balanced	\$165,690,223	\$169,514,375
Select Bond	60,110,744	61,538,750

As of December 31, 2004, collateral received for securities on loan is invested in money market instruments and included in Investments on the Portfolio's Statement of Assets and Liabilities.

Note 7 — The Asset Allocation, Balanced and Select Bond Portfolios have entered into mortgage dollar rolls. Dollar roll transactions consist of the sale by a portfolio to a bank or broker/dealer (the "counterparty") of mortgage-backed securities together with a commitment to purchase from the counterparty similar, but not identical, securities at a future date, at a similar price. As of December 31, 2004, the following mortgage dollar rolls were outstanding:

<u>Portfolio</u>	<u>Cost</u>	<u>Value</u>	<u>Obligation Liability</u>
Asset Allocation	\$ 832,344	\$ 829,520	\$ 834,235
Balanced	28,369,720	28,271,061	28,434,401
Select Bond	19,601,555	19,530,944	19,646,540

The obligation liability is included in Due on Purchase of Securities and Securities Lending Collateral on the Portfolio's Statement of Assets and Liabilities. Securities subject to these agreements had a contractual maturity of 1/1/35. The weighted average interest rate was 5.04% for the Asset Allocation Portfolio, 5.01% for the Balanced Portfolio, and 4.97% for the Select Bond Portfolio.

securities using the effective interest method. Securities transactions are accounted for on trade date. The basis for determining cost on sale of securities is identified cost. For the year ended December 31, 2004, transactions in securities other than money market investments were:

<u>Portfolio</u>	<u>Total Security Purchases</u>	<u>U.S. Govt. Security Purchases</u>	<u>Total Security Sales/ Maturities</u>	<u>U.S. Govt. Security Sales/ Maturities</u>
			<i>(Amounts in thousands)</i>	
Small Cap Growth Stock	\$ 327,093	\$ —	\$ 327,606	\$ —
T. Rowe Price Small Cap Value	70,599	—	28,459	—
Aggressive Growth Stock	823,943	—	883,547	—
International Growth	79,845	—	56,396	—
Franklin Templeton International Equity	186,334	—	151,580	—
AllianceBernstein Mid Cap Value	34,268	—	17,203	—
Index 400 Stock	65,804	—	57,144	—
Janus Capital Appreciation	14,908	—	9,657	—
Growth Stock	217,166	—	243,022	—
Large Cap Core Stock	146,925	—	155,679	—
Capital Guardian Domestic Equity	94,874	—	51,359	—
T. Rowe Price Equity Income	40,085	—	9,582	—
Index 500 Stock	60,801	—	66,318	—
Asset Allocation	138,761	75,970	93,814	75,446
Balanced	1,317,032	1,399,087	1,062,984	1,470,018
High Yield Bond	339,832	—	316,609	—
Select Bond	806,314	545,150	686,775	599,409

Notes to Financial Statements

Note 9 — The Series Fund and its Portfolios are parties to annually renewable contracts pursuant to which each Portfolio pays a charge for investment management and administrative services. Certain Portfolios, listed below, pay at a fixed annual rate based on the average daily net asset values of the Portfolio.

Portfolio	Fee
T. Rowe Price Small Cap Value	.85%
AllianceBernstein Mid Cap Value	.85%
Index 400 Stock	.25%
Index 500 Stock	.20%
Balanced	.30%
Select Bond	.30%
Money Market	.30%

For the other Portfolios the rate for the investment advisory fee is graded by the asset size of the Portfolio according to the following schedules:

Portfolio	First \$50 Million	Next \$50 Million	Excess
Small Cap Growth Stock	.80%	.65%	.50%
Aggressive Growth Stock	.80%	.65%	.50%
Franklin Templeton International Equity Growth Stock	.85%	.65%	.65%
Growth Stock	.60%	.50%	.40%
Large Cap Core Stock	.60%	.50%	.40%
High Yield Bond	.60%	.50%	.40%

Portfolio	First \$100 Million	Next \$150 Million	Excess
International Growth	.75%	.65%	.55%
Capital Guardian Domestic Equity	.65%	.55%	.50%
Asset Allocation	.60%	.50%	.40%

Portfolio	First \$500 Million	Excess
T. Rowe Price Equity Income	.65%	.60%

Portfolio	First \$100 Million	Next \$400 Million	Excess
Janus Capital Appreciation	.80%	.75%	.70%

Mason Street Advisors, LLC ("MSA"), a wholly owned subsidiary of Northwestern Mutual and the manager and investment adviser of the Series Fund, contractually agreed to waive the management fee and absorb certain other operating expenses to the extent necessary so that Total Operating Expenses will not exceed the following amounts:

Portfolio	Experation
T. Rowe Price Small Cap Value	1.00% December 31, 2006
International Growth	1.10% December 31, 2006
AllianceBernstein Mid Cap Value	1.00% December 31, 2008
Janus Capital Appreciation	0.90% December 31, 2008
Capital Guardian Domestic Equity	0.75% December 31, 2006
T. Rowe Price Equity Income	0.75% December 31, 2008
Asset Allocation	0.75% December 31, 2006

MSA voluntarily waived its management fee from December 2, 2002 to December 31, 2004 for the Money Market Portfolio.

The investment advisory fee is paid to MSA. Other costs for each Portfolio are paid either by the Portfolios or MSA depending upon the applicable agreement in place.

All of the Portfolios, except for the Balanced, Select Bond and Money Market Portfolios, pay their own custodian fees. Certain Portfolios, listed below, pay a portion of their custodian fees indirectly through expense offset arrangements. Custodian fees are reduced for Portfolios that maintain compensating balances in non-interest bearing accounts. These Portfolios could have invested the assets used to pay for the custodian fees, had the assets not been used in the expense offset arrangements. For the year ended December 31, 2004, the amounts paid through expense offset arrangements were as follows:

Portfolio	Amount
Small Cap Growth Stock	\$1,098
T. Rowe Price Small Cap Value	646
Aggressive Growth Stock	4,204
AllianceBernstein Mid Cap Value	610
Index 400 Stock	904
Janus Capital Appreciation	343
Growth Stock	610
Large Cap Core Stock	834
Capital Guardian Domestic Equity	834
T. Rowe Price Equity Income	198
Index 500 Stock	454
Asset Allocation	905
High Yield Bond	2,535

T. Rowe Price Associates, Inc. ("T. Rowe Price"), Templeton Investment Counsel, LLC. ("Templeton Counsel"), Alliance Capital Management L.P., ("Alliance Capital Management"), Janus Capital Management, LLC ("Janus Capital") and Capital Guardian Trust Company ("Capital Guardian") have been retained under investment subadvisory agreements to provide investment advice and, in general, to conduct the management investment programs of the T. Rowe Price Small Cap Value and T. Rowe Price Equity Income Portfolios, the Franklin Templeton International Equity Portfolio, the AllianceBernstein Mid Cap Value Portfolio, the Janus Capital Appreciation Portfolio and the Capital Guardian Domestic Equity Portfolio, respectively. MSA pays T. Rowe Price an annual rate of .60% of the T. Rowe Price Small Cap Value Portfolio's average daily net assets. MSA pays Templeton Counsel .50% on the first \$100 million of combined net assets for all funds managed for Northwestern Mutual by Templeton Counsel and .40% in excess of \$100 million. MSA pays Alliance Capital Management .72% on the first \$25 million of the Portfolio's assets, .54% on the next \$225 million, and .50% in excess of \$250 million, with a minimum amount of \$16,000. MSA pays Janus Capital .55% on the first \$100 million of the Portfolio's assets, .50% on the next \$400 million, and .45% on assets in excess of \$500 million. MSA pays Capital Guardian a flat annual fee of \$375,000 on the Portfolio's assets of \$100 million or less and .275% on net assets in excess of \$100 million. For the

Notes to Financial Statements

T. Rowe Price Equity Income Portfolio, MSA pays T. Rowe Price .40% of the Portfolio's assets, reduced to .35% on assets in excess of \$500 million.

Commissions paid on Portfolio transactions to an affiliated broker for the year ended December 31, 2004, were as follows:

Portfolio	Amount
Small Cap Growth Stock	\$19,510
T. Rowe Small Cap Value	165
Aggressive Growth Stock	61,610
AllianceBernstein Mid Cap Value	30,068
T. Rowe Price Equity Income	440

Note 10 — Each of the Portfolios of the Series Fund has elected to be taxed as a regulated investment company meeting certain requirements under the Internal Revenue Code. Since each expects to distribute all net investment income and net realized capital gains, the Portfolios anticipate incurring no federal income taxes.

Portfolio

Small Cap Growth Stock	.....
T. Rowe Price Small Cap Value	.....
Aggressive Growth Stock	.....
International Growth	.....
Franklin Templeton International Equity	.....
AllianceBernstein Mid Cap Value	.....
Index 400 Stock	.....
Janus Capital Appreciation	.....
Growth Stock	.....
Large Cap Core Stock	.....
Capital Guardian Domestic Equity	.....
T. Rowe Price Equity Income	.....
Index 500 Stock	.....
Asset Allocation	.....
Balanced	.....
High Yield Bond	.....
Select Bond	.....

Note 11 — Dividends from net investment income and net realized capital gains are declared each business day for the Money Market Portfolio and at least annually for the remaining portfolios of the Series Fund when applicable.

Note 12 — Northwestern Mutual voluntarily reimburses the Franklin Templeton International Equity and International Growth Portfolios for the benefit Northwestern Mutual receives from foreign dividend taxes charged against the Portfolios. The amounts reimbursed represent approximately 65% of the foreign dividend taxes withheld from the

Taxable distributions from net investment income and realized capital gains in the Portfolios may differ from book amounts earned during the period due to differences in the timing of capital gains recognition and due to the reclassification of certain gains or losses between capital and income. The differences between cost amounts for book purposes and tax purposes are primarily due to treatment of deferred losses.

It is the policy of the Portfolios to reclassify the net effect of permanent differences between book and taxable income to capital accounts on the Statements of Assets and Liabilities.

Certain losses incurred by the Portfolios after October 31st are deferred and deemed to have occurred in the next fiscal year for income tax purposes. Net realized capital losses for federal income tax purposes are carried forward to offset future net realized gains. A summary of the Portfolios' post-October losses and capital loss carryovers as of December 31, 2004 is provided below:

Portfolio	Post-October Losses		Capital Loss Carryovers		
	Capital	Foreign Currency	Amount	Expiration	Utilized in 2004
<i>(Amounts in Thousands)</i>					
Small Cap Growth Stock	\$ —	\$ —	\$ —	—	\$25,605
T. Rowe Price Small Cap Value	—	—	—	—	—
Aggressive Growth Stock	—	—	108,215	2010-2011	95,296
International Growth	—	—	597	2011	4,716
Franklin Templeton International Equity	—	24	66,733	2010-2011	53,475
AllianceBernstein Mid Cap Value	—	—	—	—	—
Index 400 Stock	—	—	—	—	—
Janus Capital Appreciation	40	—	507	2012	—
Growth Stock	—	—	65,078	2009-2010	30,055
Large Cap Core Stock	—	—	165,188	2009-2012	—
Capital Guardian Domestic Equity	—	—	—	—	3,619
T. Rowe Price Equity Income	—	—	—	—	—
Index 500 Stock	—	—	—	—	—
Asset Allocation	—	—	—	—	556
Balanced	—	—	—	—	—
High Yield Bond	—	—	65,399	2007-2010	11,029
Select Bond	1,092	—	—	—	—

Portfolios. Reimbursements are recorded when foreign dividend taxes are accrued. Voluntary reimbursements for the year ended December 31, 2004 and the year ended December 31, 2003 are summarized below:

Portfolio	2004 Reimbursements	2003 Reimbursements
International Growth	\$ 101,251	\$ 68,922
Franklin Templeton International Equity	1,778,426	1,469,313

Notes to Financial Statements

Note 13 — Distributions to Shareholders

When applicable, each of the Portfolios made distributions during the year of ordinary income and long-term capital gains. The tax character of distributions paid for the periods ended December 31, 2004 and December 31, 2003 were as follows:

Portfolio	2004 Distributions Paid From:		2003 Distributions Paid From:	
	Ordinary Income	Long-term Capital Gain	Ordinary Income	Long-term Capital Gain
	<i>(Amounts in Thousands)</i>			
Small Cap Growth Stock	\$ —	\$ —	\$ —	\$ —
T. Rowe Price Small Cap Value	902	1,354	—	—
Aggressive Growth Stock	—	—	—	—
International Growth	625	—	420	—
Franklin Templeton International Equity	14,573	—	11,039	—
AllianceBernstein Mid Cap Value	2,223	2,546	541	—
Index 400 Stock	2,523	2,269	1,934	—
Janus Capital Appreciation	51	—	91	—
Growth Stock	4,542	—	4,774	—
Large Cap Core Stock	4,200	—	3,770	—
Capital Guardian Domestic Equity	2,660	2,783	1,804	—
T. Rowe Price Equity Income	2,041	1,278	651	—
Index 500 Stock	27,018	16,059	21,914	8,037
Asset Allocation	—	—	2,122	—
Balanced	79,236	98,256	85,974	—
High Yield Bond	14,554	—	362	—
Select Bond	39,008	4,298	38,274	—
Money Market	5,155	—	5,836	—

As of December 31 2004, the tax basis amounts were as follows:

Portfolio	Undistributed Ordinary Income	Undistributed Long-term Gains	Accumulated Losses	Unrealized Appreciation (Depreciation)
		<i>(Amounts in Thousands)</i>		
Small Cap Growth Stock	\$ —	\$ 4,453	\$ —	\$ 92,100
T. Rowe Price Small Cap Value	3,947	2,533	—	49,467
Aggressive Growth Stock	634	—	(108,215)	251,252
International Growth	77	—	(597)	27,931
Franklin Templeton International Equity	18,202	—	(66,757)	225,375
AllianceBernstein Mid Cap Value	72	260	—	14,295
Index 400 Stock	6,204	18,537	—	75,445
Janus Capital Appreciation	—	—	(547)	14,602
Growth Stock	7,067	—	(65,078)	85,167
Large Cap Core Stock	6,146	—	(165,188)	66,322
Capital Guardian Domestic Equity	59	4,773	—	32,543
T. Rowe Price Equity Income	165	583	—	13,229
Index 500 Stock	33,494	31,634	—	484,526
Asset Allocation	3,233	3,390	—	21,636
Balanced	103,513	15,994	—	666,572
High Yield Bond	15,558	—	(65,399)	9,028
Select Bond	29,345	—	(1,092)	(1,879)



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Milwaukee WI 53202
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To the Shareholders and Board of Directors of
Northwestern Mutual Series Fund, Inc.

In our opinion, the accompanying statements of assets and liabilities, including the schedules of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of the Small Cap Growth Stock Portfolio, T. Rowe Price Small Cap Value Portfolio, Aggressive Growth Stock Portfolio, International Growth Portfolio, Franklin Templeton International Equity Portfolio, AllianceBernstein Mid Cap Value Portfolio, Index 400 Stock Portfolio, Janus Capital Appreciation Portfolio, Growth Stock Portfolio, Large Cap Core Stock Portfolio, Capital Guardian Domestic Equity Portfolio, T. Rowe Price Equity Income Portfolio, Index 500 Stock Portfolio, Asset Allocation Portfolio, Balanced Portfolio, High Yield Bond Portfolio, Select Bond Portfolio and Money Market Portfolio (constituting Northwestern Mutual Series Fund, Inc., hereafter referred to as the "Fund") at December 31, 2004, the results of each of their operations, the changes in each of their net assets and their financial highlights for each of the periods presented, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with standards set forth by the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2004 by correspondence with the custodians and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Milwaukee, Wisconsin
January 31, 2005

Proxy Voting and Portfolio Holdings

Proxy Voting Guidelines

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge, upon request, by calling toll free 1-888-455-2232. It is also available on the Securities and Exchange Commission's website at <http://www.sec.gov>.

Information regarding how the fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30 is available without charge, upon request, by calling toll free 1-888-455-2232. It is also available on the Securities and Exchange Commission's website at <http://www.sec.gov>.

Quarterly Filing of Portfolio Holdings

The Fund files its complete schedule of portfolio holdings with the Commission for the first and third quarters of each fiscal year on Form N-Q. The Fund's Form N-Q filings are available (i) on the Commission's website at <http://www.sec.gov> and (ii) at the Commission's Public Reference Room.

Director and Officer Information (Unaudited)

Northwestern Mutual Series Fund, Inc.

The name, age and address of the directors, as well as their affiliations, positions held with the Fund, principal occupations during the past five years and the number of portfolios overseen in the Northwestern Mutual fund complex, are shown below as of February 1, 2005. Effective May 1, 2003, each director shall serve for a twelve-year term commencing May 1, 2003 or until their earlier death, resignation, retirement or removal from office and election and qualification of their successors. The statement of additional information contains additional information about Fund directors and is available without charge, upon request, by calling 1-888-627-6678.

Independent Directors

Name Age and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Director	Other Directorships Held
Louis A. Holland (63) Suite 700 1 North Wacker Drive Chicago, IL 60606	Director	Since 2003	29	Packaging Corporation of America; Lou Holland Growth Fund
Principal Occupation During Past 5 Years: Managing Partner and Chief Investment Officer, Holland Capital Management, L.P.; Portfolio Manager, Lou Holland Growth Fund				
Elizabeth L. Majers (46) 370 Shadowood Lane Northfield, IL 60093	Director	Since 2003	29	None
Principal Occupation During Past 5 Years: Partner, McDermott, Will & Emery (international law firm)				
William A. McIntosh (65) 525 Sheridan Road Kenilworth, IL 60043	Director	Since 1997	29	MGIC Investment Corporation; Comdisco Holding Company, Inc.
Principal Occupation During Past 5 Years: Financial consulting since 1998; Adjunct Faculty Member, Howard University				
Michael G. Smith (60) 221 North Adams Hinsdale, IL 60521	Director	Since 2003	29	Trustee of Ivy Fund
Principal Occupation During Past 5 Years: Private investor; retired since 1999. From 1987 to 1999, Managing Director, Corporate and Institutional Client Group, Central Region, Merrill Lynch and Co., Inc.				
Martin F. Stein (67) 1800 East Capitol Drive Milwaukee, WI 53211	Director	Since 1995	29	Koss Corporation
Principal Occupation During Past 5 Years: Former Chairman of Eyecare One, Inc., which includes Stein Optical and Eye Q optical centers (retail sales of eyewear)				

Other Directors

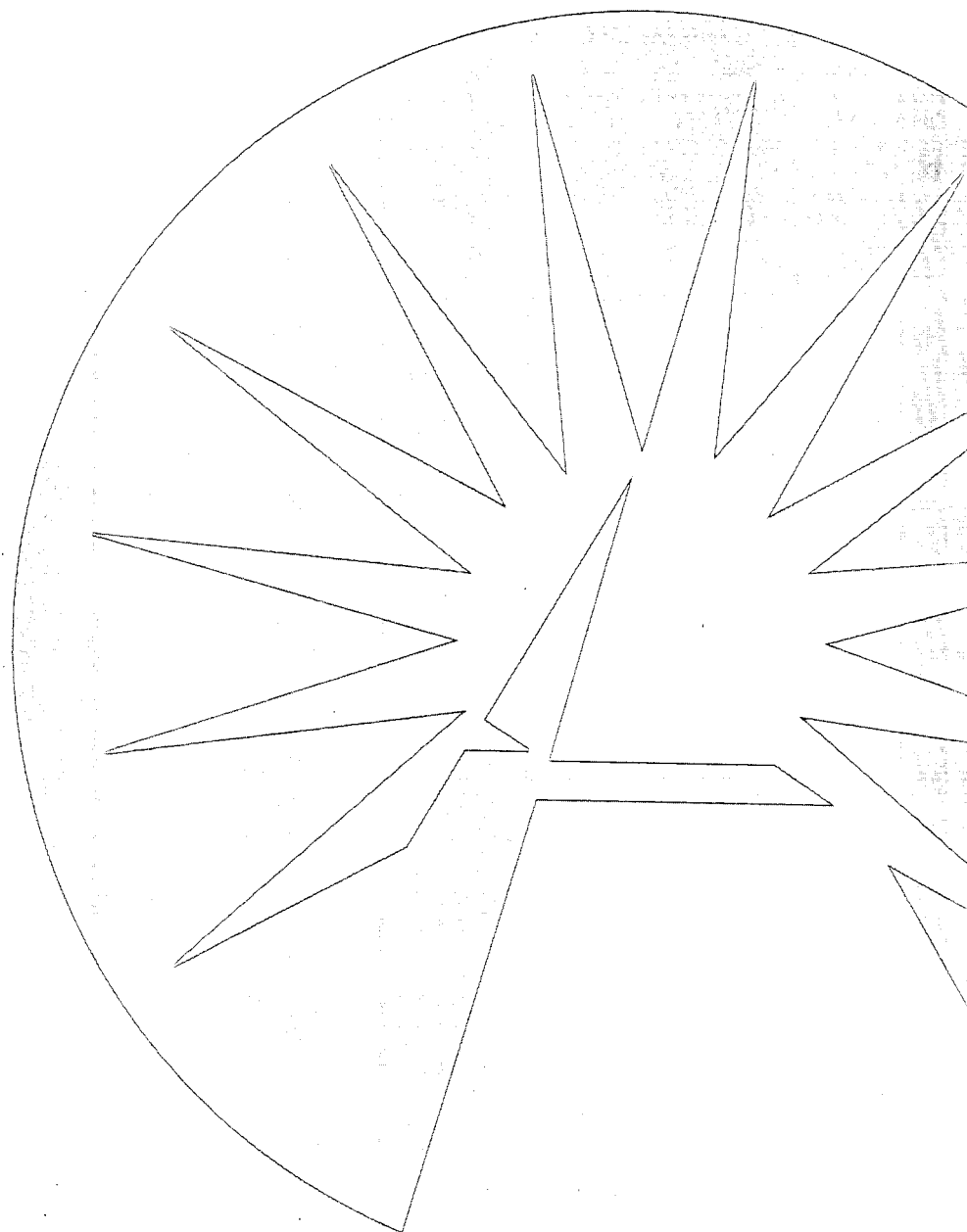
Name Age and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Director	Other Directorships Held
Edward J. Zore (59) 720 East Wisconsin Avenue Milwaukee, WI 53202	Chairman and Director	Since 2000	29	Manpower, Inc.; Trustee of Northwestern Mutual
Principal Occupation During Past 5 Years: President and Chief Executive Officer of Northwestern Mutual since 2001; President, 2000-2001; prior thereto, Executive Vice President				

Officers

Mark G. Doll	President
Walter M. Givler	Chief Financial Officer
Michael W. Zielinski	Secretary
Barbara E. Courtney	Controller

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Fidelity® Variable Insurance Products: Mid Cap Portfolio



Annual Report
December 31, 2004



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Investment Summary	6	A summary of the fund's investments at period end.
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To view a fund's proxy voting guidelines and proxy voting record for the 12-month period ended June 30, visit www.fidelity.com/proxyvotingresults or visit the Securities and Exchange Commission's (SEC) web site at www.sec.gov. You may also call 1-800-544-5429 to request a free copy of the proxy voting guidelines.

Fidelity Variable Insurance Products are separate account options which are purchased through a variable insurance contract.

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Other third party marks appearing herein are the property of their respective owners.

All other marks appearing herein are registered or unregistered trademarks or service marks of FMR Corp. or an affiliated company.

This report and the financial statements contained herein are submitted for the general information of the shareholders of the fund. This report is not authorized for distribution to prospective investors in the fund unless preceded or accompanied by an effective prospectus.

A 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. Forms N-Q are available on the SEC's web site at <http://www.sec.gov>. A fund's Forms N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information regarding the operation of the SEC's Public Reference Room may be obtained by calling 1-800-SEC-0330. For a complete list of a fund's portfolio holdings, view the most recent quarterly holdings report, semiannual report, or annual report on Fidelity's web site at <http://www.advisor.fidelity.com>.

NOT FDIC INSURED • MAY LOSE VALUE • NO BANK GUARANTEE

Neither the fund nor Fidelity Distributors Corporation is a bank.

Performance: The Bottom Line

Average annual total return reflects the change in the value of an investment, assuming reinvestment of the class' dividend income and capital gains (the profits earned upon the sale of securities that have grown in value) and assuming a constant rate of performance each year. During periods of reimbursement by Fidelity, a fund's total return will be greater than it would be had the reimbursement not occurred. Performance numbers are net of all underlying fund operating expenses, but do not include any insurance charges imposed by your insurance company's separate account. If performance information included the effect of these additional charges, the total returns would have been lower. How a fund did yesterday is no guarantee of how it will do tomorrow.

Average Annual Total Returns

Periods ended December 31, 2004

	Past 1 year	Past 5 years	Life of fund ^A
Fidelity [®] VIP: Mid Cap Portfolio — Initial Class	24.92%	15.11%	20.74%
Fidelity VIP: Mid Cap Portfolio — Service Class ^B	24.77%	14.98%	20.61%
Fidelity VIP: Mid Cap Portfolio — Service Class 2 ^C	24.60%	14.81%	20.46%

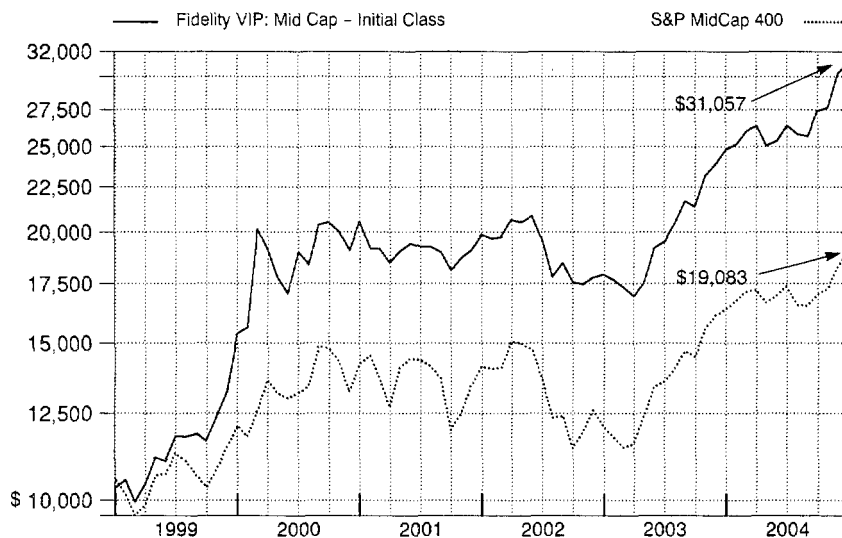
^A From December 28, 1998.

^B Performance for Service Class shares reflects an asset based distribution fee (12b-1).

^C The initial offering of Service Class 2 shares took place January 12, 2000. Performance for Service Class 2 shares reflects an asset based distribution fee (12b-1 fee). Returns from December 28, 1998 to January 12, 2000 are those of Service Class which reflect a different 12b-1 fee. Had Service Class 2's 12b-1 fee been reflected, returns prior to January 12, 2000 would have been lower.

\$10,000 Over Life of Fund

Let's say hypothetically that \$10,000 was invested in Fidelity[®] Variable Insurance Products: Mid Cap Portfolio — Initial Class on December 28, 1998, when the fund started. The chart shows how the value of your investment would have changed, and also shows how the S&P[®] MidCap 400 Index performed the same period.



Fidelity Variable Insurance Products: Mid Cap Portfolio

Management's Discussion of Fund Performance

Comments from Thomas Allen, Portfolio Manager of Fidelity® Variable Insurance Products: Mid Cap Portfolio

The year ending December 31, 2004, generally was positive for equity investors, as many stock market benchmarks produced double-digit gains. Broad-based themes included the continued dominance of small-cap stocks, which outperformed large-caps for the sixth consecutive year. The small-cap Russell 2000® Index was up 18.33% in 2004, while the larger-cap Standard & Poor's 500SM Index rose 10.88%. Value stocks ended the year well ahead of growth stocks: The Russell 3000® Value Index advanced 16.94%, compared to 6.93% for the Russell 3000 Growth Index. Energy and basic materials stocks led the market upward. Energy stocks were boosted by record-high oil prices, while strong demand from China helped support commodity prices. The health care sector was among the market's weakest performers. Technology also fell off the pace, though it was helped by a rally late in the year. The tech-heavy NASDAQ Composite® Index returned 9.15%, thanks primarily to a 14.87% jump in the fourth quarter. Elsewhere, the Dow Jones Industrial AverageSM gained 5.37% for the year.

For the 12-month period that ended December 31, 2004, the fund solidly outperformed both the Standard & Poor's® MidCap 400 Index, which gained 16.48%, and the LipperSM Variable Annuity Mid-Cap Funds Average, which rose 15.30%. Rising oil prices helped boost many energy stocks during the period, and the fund was fortunate to own some of those that rose more than others, including Southwestern Energy and PetroKazakhstan, based in the former Soviet Union. Favorable stock selection in health care equipment and services companies, such as pharmacy benefits manager Caremark Rx, also helped the fund beat its index, as did an underweighting in the weak semiconductor group. The fund's overweighting in materials turned out to be a double-edged sword: Steel stocks worked very well, driven by tight supply, increasing demand from emerging markets and a moderately weaker U.S. dollar, while our gold-related holdings performed poorly, including such names as Newmont Mining, Buenaventura Mining and Harmony Gold.

The views expressed in this statement reflect those of the portfolio manager only through the end of the period of the report as stated on the cover and do not necessarily represent the views of Fidelity or any other person in the Fidelity organization. Any such views are subject to change at any time based upon market or other conditions and Fidelity disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Fidelity fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any Fidelity fund.

Fidelity Variable Insurance Products: Mid Cap Portfolio

Shareholder Expense Example

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, and (2) ongoing costs, including management fees, distribution and/or service (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 period and held for the entire period (July 1, 2004 to December 31, 2004).

Actual Expenses

The first line of the table below for each class of the Fund 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 \$1,000.00 (for example, an \$8,600 account value divided by \$1,000.00 = 8.6), then multiply the result by the number in the first line for a class of the Fund under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period. The estimate of expenses does not include any fees or other expenses of any variable annuity or variable life insurance product. If they were, the estimate of expenses you paid during the period would be higher, and your ending account value would be lower.

Hypothetical Example for Comparison Purposes

The second line of the table below for each class of the Fund provides information about hypothetical account values and hypothetical expenses based on a Class' actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Class' 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. The estimate of expenses does not include any fees or other expenses of any variable annuity or variable life insurance product. If they were, the estimate of expenses you paid during the period would be higher, and your ending account value would be lower.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transaction costs. Therefore, the second 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.

	Beginning Account Value July 1, 2004	Ending Account Value December 31, 2004	Expenses Paid During Period* July 1, 2004 to December 31, 2004
Initial Class			
Actual	\$ 1,000.00	\$ 1,176.60	\$ 3.94
Hypothetical ^A	\$ 1,000.00	\$ 1,021.52	\$ 3.66
Service Class			
Actual	\$ 1,000.00	\$ 1,175.50	\$ 4.48
Hypothetical ^A	\$ 1,000.00	\$ 1,021.01	\$ 4.17
Service Class 2			
Actual	\$ 1,000.00	\$ 1,175.00	\$ 5.30
Hypothetical ^A	\$ 1,000.00	\$ 1,020.26	\$ 4.93

^A 5% return per year before expenses

* Expenses are equal to each Class' annualized expense ratio (shown in the table below); multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period).

	Annualized Expense Ratio
Initial Class .....	.72%
Service Class .....	.82%
Service Class 2 .....	.97%

Fidelity Variable Insurance Products Fund: Mid Cap Portfolio Investment Summary

Top Five Stocks as of December 31, 2004

	% of fund's net assets
Newmont Mining Corp.	2.5
Nucor Corp.	2.4
Invitrogen Corp.	2.4
Steel Dynamics, Inc.	1.6
Charles River Laboratories International, Inc.	1.6
	<hr/> 10.5

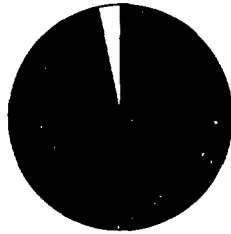
Top Five Market Sectors as of December 31, 2004

	% of fund's net assets
Materials	18.4
Health Care	15.9
Energy	13.5
Industrials	11.2
Consumer Discretionary	11.0

Asset Allocation as of December 31, 2004

% of fund's net assets*

■ Stocks	96.7%
□ Short-Term Investments and Net Other Assets	3.3%
* Foreign investments	27.3%



Fidelity Variable Insurance Products Fund: Mid Cap Portfolio

Investments December 31, 2004

Showing Percentage of Net Assets

Common Stocks – 96.7%

	Shares	Value (Note 1)
CONSUMER DISCRETIONARY – 11.0%		
Auto Components – 1.7%		
Amerigon, Inc. (a)	100	\$ 374
Autoliv, Inc.	144,100	6,960,030
Bharat Forge Ltd.	55,244	1,373,947
BorgWarner, Inc.	146,100	7,914,237
China Yuchai International Ltd. (a)	100	1,328
Continental AG	100	6,339
Gentex Corp.	532,100	19,698,342
IMPCO Technologies, Inc. (a)(e)	1,506,400	11,373,320
Johnson Controls, Inc.	200	12,688
LKQ Corp. (a)	315,337	6,328,814
Nokian Tyres Ltd.	96,700	14,665,743
Starcraft Corp. (a)	105	1,469
		<u>68,336,631</u>
Automobiles – 0.1%		
Bajaj Auto Ltd.	35,300	923,268
Denway Motors Ltd.	4,000	1,428
Fiat Spa sponsored ADR (a)	100	798
Harley-Davidson, Inc.	100	6,075
Hero Honda Motors Ltd.	221,071	2,925,549
Mahindra & Mahindra Ltd.	100	1,261
Maruti Udyog Ltd.	100	1,068
Tata Motors Ltd.	100	1,168
Thor Industries, Inc.	200	7,410
		<u>3,868,025</u>
Distributors – 0.0%		
Educational Development Corp.	100	1,044
Li & Fung Ltd.	2,000	3,371
		<u>4,415</u>
Hotels, Restaurants & Leisure – 3.1%		
Accor SA	100	4,369
AFC Enterprises, Inc. (a)	100	2,365
Applebee's International, Inc.	150	3,968
BJ's Restaurants, Inc. (a)	100	1,400
Buffalo Wild Wings, Inc. (a)	208,000	7,240,480
Jack in the Box, Inc. (a)	23,600	870,132
Jurys Doyle Hotel Group PLC (Ireland)	100	1,671
Krispy Kreme Doughnuts, Inc. (a)	100	1,260
Kuoni Reisen Holding AG Class B (Reg.)	100	43,881
Outback Steakhouse, Inc.	773,700	35,419,986
P.F. Chang's China Bistro, Inc. (a)	100	5,635
Red Robin Gourmet Burgers, Inc. (a)	198,000	10,587,060
Royal Caribbean Cruises Ltd.	511,000	27,818,840
Sonic Corp. (a)	1,372,825	41,871,163
Total Entertainment Restaurant Corp. (a)	100	1,192
		<u>123,873,402</u>
Household Durables – 1.3%		
Alba PLC	581,101	7,137,036
Arcelik AS (a)	100	1
Fedders Corp.	100	362
Garmin Ltd.	51	3,103

	Shares	Value (Note 1)
George Wimpey PLC	100	\$ 776
Harman International Industries, Inc.	118,400	15,036,800
Hovnanian Enterprises, Inc. Class A (a)	200	9,904
LG Electronics, Inc.	167,270	10,357,427
Makita Corp. sponsored ADR	100	1,775
Rational AG	39,471	3,665,649
Sekisui House Ltd.	877,000	10,222,962
Skyworth Digital Holdings Ltd.	2,052	306
Toll Brothers, Inc. (a)	105,000	7,204,050
William Lyon Homes, Inc. (a)	100	7,024
		<u>53,647,175</u>
Internet & Catalog Retail – 0.2%		
1-800-FLOWERS.com, Inc. Class A (a)	200	1,682
Alloy, Inc. (a)	100	807
Audible, Inc. (a)	100	2,605
GSI Commerce, Inc. (a)	100	1,778
Overstock.com, Inc. (a)	100	6,900
Provide Commerce, Inc.	65,200	2,422,180
Rakuten, Inc. (d)	301	343,815
Rakuten, Inc. New (a)(d)	2,709	3,094,338
ValueVision Media, Inc. Class A (a)	100	1,391
		<u>5,875,496</u>
Leisure Equipment & Products – 0.1%		
Arctic Cat, Inc.	100	2,652
Asia Optical Co., Inc.	28,718	159,896
Jumbo SA	295,690	2,302,419
Mega Bloks, Inc. (a)	100	1,588
Oakley, Inc.	100	1,275
Polaris Industries, Inc.	200	13,604
SCP Pool Corp.	225	7,178
SHIMANO, Inc.	100	2,856
		<u>2,491,468</u>
Media – 0.6%		
Astral Media, Inc. Class A (non-vtg.)	365,800	9,931,470
Chum Ltd. Class B (non-vtg.)	200	4,958
Clear Media Ltd. (a)	243,000	226,656
Cumulus Media, Inc. Class A (a)	100	1,508
E.W. Scripps Co. Class A	100	4,828
Fox Entertainment Group, Inc. Class A (a)	100	3,126
Gemstar-TV Guide International, Inc. (a)	100	592
Getty Images, Inc. (a)	100	6,885
Grupo Televisa SA de CV sponsored ADR	100	6,050
Harris Interactive, Inc. (a)	100	790
Impresa SGPS (a)	100	787
Insignia Systems, Inc. (a)	100	218
JC Decaux SA (a)	100	2,914
Modern Times Group AB (MTG) (B Shares) (a)	100	2,724
Padmalaya Telefilms Ltd. (a)	100	122
Saga Communications, Inc. Class A (a)	100	1,685
Salem Communications Corp. Class A (a)	48,300	1,205,085
SBS Broadcasting SA (a)	100	4,023
Scholastic Corp. (a)	100	3,696

See accompanying notes which are an integral part of the financial statements.

**Fidelity Variable Insurance Products Fund: Mid Cap Portfolio
Investments - continued**

Common Stocks - continued

	Shares	Value (Note 1)
CONSUMER DISCRETIONARY - continued		
Media - continued		
SKY Perfect Communications, Inc.	5,512	\$ 5,973,172
Sogecable SA (a)	100	4,430
Spanish Broadcasting System, Inc. Class A (a)	100	1,056
TiVo, Inc. (a)	100	587
Trader Classified Media NV (A Shares) ..	100	1,384
Zee Telefilms Ltd.	1,820,140	7,219,538
		<u>24,608,284</u>
Multiline Retail - 0.1%		
99 Cents Only Stores (a)	100	1,616
Dollar General Corp.	100	2,077
Dollar Tree Stores, Inc. (a)	100	2,868
Don Quijote Co. Ltd. (d)	113,100	5,774,802
Family Dollar Stores, Inc.	100	3,123
		<u>5,784,486</u>
Specialty Retail - 2.7%		
Abercrombie & Fitch Co. Class A	100	4,695
AC Moore Arts & Crafts, Inc. (a)	705,100	20,313,931
Advance Auto Parts, Inc. (a)	200	8,736
Aeropostale, Inc. (a)	100	2,943
Best Buy Co., Inc.	200	11,884
CarMax, Inc. (a)	622,400	19,325,520
Chico's FAS, Inc. (a)	100	4,553
Cost Plus, Inc. (a)	142,700	4,584,951
Esprit Holdings Ltd.	500	3,023
French Connection Group PLC	100	471
Genesco, Inc. (a)	100	3,114
Guitar Center, Inc. (a)	100	5,269
Hot Topic, Inc. (a)	323,883	5,567,549
KOMERI Co. Ltd. (d)	672,100	18,306,737
Michaels Stores, Inc.	200	5,994
Nitori Co. Ltd. (d)	233,050	15,221,171
O'Reilly Automotive, Inc. (a)	100	4,505
Pacific Sunwear of California, Inc. (a) ...	305,000	6,789,300
Pantaloon Retail India Ltd.	100	1,689
Peacock Group PLC	1,271,844	6,638,792
PETSMART, Inc.	24,000	852,720
Pier 1 Imports, Inc.	100	1,970
RONA, Inc. (a)	100,000	3,400,000
Ross Stores, Inc.	43,900	1,267,393
Sa Sa International Holdings Ltd.	2,000	1,074
Select Comfort Corp. (a)	100	1,794
Sharper Image Corp. (a)	100	1,885
Shimamura Co. Ltd.	100	7,303
TBC Corp. New (a)	100	2,780
The Bombay Company, Inc. (a)	100	553
Tiffany & Co., Inc.	57,100	1,825,487
Tractor Supply Co. (a)	100	3,721

	Shares	Value (Note 1)
Urban Outfitters, Inc. (a)	400	\$ 17,760
Williams-Sonoma, Inc. (a)	54,700	1,916,688
		<u>106,105,955</u>
Textiles, Apparel & Luxury Goods - 1.1%		
Columbia Sportswear Co. (a)	579,600	34,549,956
Compagnie Financiere Richemont unit ..	100	3,322
Folli Follie SA	42,980	1,259,378
Gildan Activewear, Inc. Class A (sub. vtg.) (a)	100	3,399
K-Swiss, Inc. Class A	200	5,824
Kenneth Cole Productions, Inc. Class A (sub. vtg.)	100	3,086
NIKE, Inc. Class B	100	9,069
Polo Ralph Lauren Corp. Class A	100	4,260
Quiksilver, Inc. (a)	200	5,958
Ted Baker PLC	945,208	8,761,144
The Swatch Group AG (Bearer)	100	14,647
Timberland Co. Class A (a)	100	6,267
Weyco Group, Inc.	100	4,429
Wolverine World Wide, Inc.	100	3,142
		<u>44,633,881</u>

TOTAL CONSUMER DISCRETIONARY 439,229,218

CONSUMER STAPLES - 7.4%

Beverages - 0.0%

Boston Beer Co., Inc. Class A (a)	100	2,127
Companhia de Bebidas das Americas (AmBev) sponsored ADR	100	2,833
Fomento Economico Mexicano SA de CV sponsored ADR	100	5,261
Grupo Modelo SA de CV Series C	100	275
Hansen Natural Corp. (a)	100	3,641
Jones Soda Co. (a)	95,700	330,165
MGP Ingredients, Inc.	200	1,728
Pernod-Ricard	100	15,288
Tsingtao Brewery Co. Ltd. (H Shares) ...	1,000	1,010
		<u>362,328</u>

Food & Staples Retailing - 0.4%

Central European Distribution Corp. (a) ..	150	4,431
Massmart Holdings Ltd.	847,869	6,778,342
Plant Co. Ltd.	120,300	1,820,414
Shinsegae Co. Ltd.	1,390	382,008
Whole Foods Market, Inc.	74,600	7,113,110
		<u>16,098,305</u>

Food Products - 6.3%

Archer-Daniels-Midland Co.	2,678,000	59,746,180
Barry Callebaut AG	23,513	5,839,817
Bunge Ltd.	638,200	36,383,782
Corn Products International, Inc.	713,400	38,209,704
Fresh Del Monte Produce, Inc.	100	2,961
Glanbia PLC	784,887	2,981,268
Green Mountain Coffee Roasters, Inc. (a)	47,993	1,204,624

See accompanying notes which are an integral part of the financial statements.

Common Stocks - continued

	Shares	Value (Note 1)
CONSUMER STAPLES - continued		
Food Products - continued		
Hershey Foods Corp.	504,300	\$ 28,008,822
Hormel Foods Corp.	100	3,135
IAWS Group PLC (Ireland)	25,450	421,195
Lindt & Spruengli AG	400	5,844,925
Lindt & Spruengli AG (participation certificate)	2,770	3,933,354
McCormick & Co., Inc. (non-vtg.)	496,000	19,145,600
Peet's Coffee & Tea, Inc. (a)	100	2,647
People's Food Holdings Ltd.	10,068,165	9,253,261
PT Indofood Sukses Makmur Tbk	56,655,500	4,889,370
Smithfield Foods, Inc. (a)	1,230,200	36,401,618
SunOpta, Inc. (a)	39,000	279,825
Wimm-Bill-Dann Foods OJSC ADR (a)	65,400	935,874
Wm. Wrigley Jr. Co.	100	6,919
		<u>253,494,881</u>
Household Products - 0.1%		
Central Garden & Pet Co. Class A (a)	100	4,174
Godrej Consumer Products Ltd.	178,876	1,237,657
Hindustan Lever Ltd.	104,300	345,818
Kao Corp.	1,000	25,578
Reckitt Benckiser PLC	300	9,062
		<u>1,622,289</u>
Personal Products - 0.6%		
Alberto-Culver Co.	150	7,286
Estee Lauder Companies, Inc. Class A	63,300	2,897,241
Hengan International Group Co. Ltd.	12,932,600	8,485,521
Kose Corp.	100	4,393
Natura Cosmeticos SA	166,500	4,858,340
Shiseido Co. Ltd. ADR	459,900	6,645,555
USANA Health Sciences, Inc. (a)	200	6,840
		<u>22,905,176</u>
TOTAL CONSUMER STAPLES		<u>294,482,979</u>
ENERGY - 13.5%		
Energy Equipment & Services - 9.7%		
BJ Services Co.	648,610	30,186,309
Cal Dive International, Inc. (a)	467,400	19,046,550
Carbo Ceramics, Inc.	100	6,900
Compagnie Generale de Geophysique SA (a)	100	6,884
Cooper Cameron Corp. (a)	317,000	17,057,770
Core Laboratories NV (a)	230,700	5,386,845
FMC Technologies, Inc. (a)	307,500	9,901,500
Global Industries Ltd. (a)	1,530,489	12,687,754
GlobalSantaFe Corp.	692,450	22,927,020
Gulf Island Fabrication, Inc.	211,200	4,610,496
Helmerich & Payne, Inc.	195,600	6,658,224
Hydril Co. (a)	100	4,551
Input/Output, Inc. (a)	1,327,000	11,730,680
Nabors Industries Ltd. (a)	688,800	35,328,552

	Shares	Value (Note 1)
National-Oilwell, Inc. (a)	235,300	\$ 8,303,737
Noble Corp. (a)	345,300	17,175,222
NS Group, Inc. (a)	100	2,780
Oceaneering International, Inc. (a)	360,086	13,438,410
Parker Drilling Co. (a)	1,996,800	7,847,424
Pason Systems, Inc.	756,300	23,319,250
Patterson-UTI Energy, Inc.	204,300	3,973,635
Pioneer Drilling Co. (a)	1,190,100	12,008,109
Precision Drilling Corp. (a)	153,300	9,647,680
Pride International, Inc. (a)	565,700	11,619,478
Rowan Companies, Inc. (a)	345,600	8,951,040
Smith International, Inc. (a)	251,090	13,661,807
Superior Energy Services, Inc. (a)	316,900	4,883,429
Transocean, Inc. (a)	524,800	22,246,272
Unit Corp. (a)	356,000	13,602,760
Varco International, Inc. (a)	1,153,848	33,634,655
Veritas DGC, Inc. (a)	100	2,241
Weatherford International Ltd. (a)	139,800	7,171,740
		<u>387,029,704</u>
Oil & Gas - 3.8%		
Ashland, Inc.	25,900	1,512,042
Caltex Australia Ltd.	1,004,943	8,538,864
China Petroleum & Chemical Corp. sponsored ADR	100	4,099
Comstock Resources, Inc. (a)	93,100	2,052,855
Golar LNG Ltd. (a)	515,700	7,501,323
Golar LNG Ltd. (Nasdaq) (a)	21,393	318,542
JKX Oil & Gas	91	202
Niko Resources Ltd.	138,000	5,804,050
PetroChina Co. Ltd. sponsored ADR	100	5,369
PetroKazakhstan, Inc. Class A	594,600	22,064,615
Petroleo Brasileiro SA Petrobras sponsored:		
ADR	100	3,978
ADR (non-vtg.)	100	3,621
Premcor, Inc.	293,300	12,368,461
Southwestern Energy Co. (a)	780,200	39,548,338
Surgutneftegaz JSC sponsored ADR	100	3,740
Talisman Energy, Inc.	194,500	5,243,396
Tesoro Petroleum Corp. (a)	465,900	14,843,574
Valero Energy Corp.	718,500	32,619,900
World Fuel Services Corp.	31,500	1,568,700
XTO Energy, Inc.	125	4,423
		<u>154,010,092</u>
TOTAL ENERGY		<u>541,039,796</u>
FINANCIALS - 8.3%		
Capital Markets - 0.5%		
BlackRock, Inc. Class A	100	7,726
Deutsche Bank AG (NY Shares)	13,000	1,157,130
E*TRADE Financial Corp. (a)	100	1,495
Eaton Vance Corp. (non-vtg.)	100	5,215

See accompanying notes which are an integral part of the financial statements.

**Fidelity Variable Insurance Products Fund: Mid Cap Portfolio
Investments - continued**

Common Stocks - continued

	Shares	Value (Note 1)
FINANCIALS - continued		
Capital Markets - continued		
Federated Investors, Inc. Class B (non-vtg.)	100	\$ 3,040
International Assets Holding Corp. (a)	100	757
Investors Financial Services Corp.	49,700	2,484,006
Kotak Mahindra Bank Ltd.	439,734	2,912,920
Matsui Securities Co. Ltd.	208,800	7,277,321
Mitsubishi Securities Co. Ltd.	511,700	5,605,071
Nuveen Investments, Inc. Class A	100	3,947
T. Rowe Price Group, Inc.	200	12,440
		<u>19,471,068</u>
Commercial Banks - 3.4%		
Banco Itau Holding Financeira SA: (PN)	900	134,864
sponsored ADR (non-vtg.)	33,900	2,548,263
Bank Austria Creditanstalt AG	201,075	18,139,091
Bank of Baroda	1,220,572	6,874,431
Bank of Fukuoka Ltd. (d)	2,110,000	13,904,618
Bank of India	6,393,456	13,939,951
Bank of Yokohama Ltd.	2,431,000	15,331,700
BOK Financial Corp. (a)	103	5,022
Boston Private Financial Holdings, Inc.	106,100	2,988,837
Canara Bank	401,535	1,973,788
Capitalia Spa	9,229,479	42,205,762
Cathay General Bancorp	20	750
Center Financial Corp., California	20,600	412,412
Commerce Bancorp, Inc., New Jersey	68,400	4,404,960
CVB Financial Corp.	110	2,922
East West Bancorp, Inc.	200	8,392
First Horizon National Corp.	100	4,311
Fulton Financial Corp.	11	256
HDFC Bank Ltd. sponsored ADR	18,100	821,016
Hiroshima Bank Ltd.	389,000	2,058,362
ICICI Bank Ltd. sponsored ADR	5,000	100,750
Irwin Financial Corp.	100	2,839
Lakeland Financial Corp.	100	3,970
M&T Bank Corp.	100	10,784
OTP Bank Rt.	100	3,082
Popular, Inc.	200	5,766
PrivateBancorp, Inc.	200	6,446
State Bancorp, Inc., New York	5	138
State Bank of India	448,533	7,333,644
Sumitomo Trust & Banking Co. Ltd.	1,000	7,234
SunTrust Banks, Inc.	49	3,620
TCF Financial Corp.	200	6,428
Texas Regional Bancshares, Inc. Class A	150	4,902
UCBH Holdings, Inc.	100	4,582
UnionBanCal Corp.	100	6,448
Valley National Bancorp	105	2,903

	Shares	Value (Note 1)
Westcorp	100	\$ 4,593
Wintrust Financial Corp.	48,000	2,734,080
		<u>136,001,917</u>

Consumer Finance - 0.0%

American Express Co.	100	5,637
Capital One Financial Corp.	100	8,421
First Cash Financial Services, Inc. (a)	150	4,007
STB Leasing Co. Ltd.	100	1,874
		<u>19,939</u>

Diversified Financial Services - 0.4%

eSpeed, Inc. Class A (a)	100	1,237
Moody's Corp.	54,100	4,698,585
Power Financial Corp.	100	2,666
Principal Financial Group, Inc.	100	4,094
TSX Group, Inc.	244,800	10,952,760
		<u>15,659,342</u>

Insurance - 2.7%

ACE Ltd.	100	4,275
AFLAC, Inc.	2,800	111,552
Arthur J. Gallagher & Co.	100	3,250
Assurant, Inc.	1,232,500	37,652,875
Brown & Brown, Inc.	38,000	1,654,900
Erie Indemnity Co. Class A	100	5,257
Genworth Financial, Inc. Class A	100	2,700
Hilb Rogal & Hobbs Co.	200	7,248
Horace Mann Educators Corp.	100	1,908
MBIA, Inc.	54,600	3,455,088
Mercury General Corp.	28,100	1,683,752
Ohio Casualty Corp. (a)	122,800	2,850,188
Old Republic International Corp.	150	3,795
Progressive Corp.	67,100	5,692,764
Reinsurance Group of America, Inc.	486,100	23,551,545
Scottish Re Group Ltd.	8,100	209,790
StanCorp Financial Group, Inc.	100	8,250
Triad Guaranty, Inc. (a)	100	6,048
UnumProvident Corp.	100	1,794
USI Holdings Corp. (a)	187,500	2,169,375
W.R. Berkley Corp.	618,575	29,178,183
Zenith National Insurance Corp.	300	14,952
		<u>108,269,489</u>

Real Estate - 1.0%

CBL & Associates Properties, Inc.	17,300	1,320,855
Corporate Office Properties Trust (SBI)	147,100	4,317,385
Equity Lifestyle Properties, Inc.	100	3,575
Equity Residential (SBI)	100	3,618
General Growth Properties, Inc.	167,100	6,042,336
Kimco Realty Corp.	226,000	13,105,740
Pan Pacific Retail Properties, Inc.	114,400	7,172,880
Plum Creek Timber Co., Inc.	141,300	5,431,572
United Dominion Realty Trust, Inc. (SBI)	29,200	724,160
Weingarten Realty Investors (SBI)	100	4,010
		<u>38,126,131</u>

See accompanying notes which are an integral part of the financial statements.

Common Stocks - continued

	Shares	Value (Note 1)
FINANCIALS - continued		
Thriffs & Mortgage Finance - 0.3%		
Doral Financial Corp.	147,800	\$ 7,279,150
Golden West Financial Corp., Delaware	79,940	4,909,915
MGIC Investment Corp.	100	6,891
Radian Group, Inc.	100	5,324
Sterling Financial Corp., Washington (a)	110	4,319
W Holding Co., Inc.	156	3,579
Washington Federal, Inc.	110	2,919
		<u>12,212,097</u>
TOTAL FINANCIALS		329,759,983

HEALTH CARE - 15.9%
Biotechnology - 6.5%

Affymetrix, Inc. (a)	190,600	6,966,430
Albany Molecular Research, Inc. (a)	100	1,114
Alnylam Pharmaceuticals, Inc.	100	738
Applera Corp. - Celera Genomics Group (a)	100	1,375
Bachem Holding AG (B Shares)	100	5,744
Celgene Corp. (a)	200	5,306
Charles River Laboratories International, Inc. (a)	1,389,204	63,917,276
Ciphergen Biosystems, Inc. (a)	100	430
CSL Ltd.	19,483	445,872
CytRx Corp. (a)	100	141
deCODE genetics, Inc. (a)	100	781
Dendreon Corp. (a)	100	1,078
Digene Corp. (a)	100	2,615
Exact Sciences Corp. (a)	100	382
Exelixis, Inc. (a)	100	950
Gen-Probe, Inc. (a)	31,900	1,442,199
Genencor International, Inc. (a)	100	1,640
Genentech, Inc. (a)	24,800	1,350,112
Global Bio-Chem Technology Group Co. Ltd.	9,232,000	6,057,431
Harvard Bioscience, Inc. (a)(e)	3,023,047	13,996,708
ImmunoGen, Inc. (a)	139,700	1,234,948
Invitrogen Corp. (a)	1,435,200	96,344,976
Lexicon Genetics, Inc. (a)	100	776
Luminex Corp. (a)	100	888
Martek Biosciences (a)	106,100	5,432,320
Myriad Genetics, Inc. (a)	100	2,251
Neogen Corp. (a)	49,663	1,124,873
Northfield Laboratories, Inc. (a)	100	2,255
ONYX Pharmaceuticals, Inc. (a)	100	3,239
QIAGEN NV (a)	4,857,800	53,192,910
Renovis, Inc.	100	1,438
Sangamo Biosciences, Inc. (a)	100	600
Seattle Genetics, Inc. (a)	100	653
Serologicals Corp. (a)	100	2,212
Sirna Therapeutics, Inc. (a)	100	316

See accompanying notes which are an integral part of the financial statements.

	Shares	Value (Note 1)
Stratagene Corp. (a)	849,600	\$ 6,584,400
Strategic Diagnostics, Inc. (a)	792,300	2,773,050
Tanox, Inc. (a)	100	1,520
Telik, Inc. (a)	100	1,914
		<u>260,903,861</u>

Health Care Equipment & Supplies - 2.3%

Advanced Medical Optics, Inc. (a)	100	4,114
Arthrocare Corp. (a)	100	3,206
Bio-Rad Laboratories, Inc. Class A (a) ..	100	5,737
Biolase Technology, Inc.	100	1,087
Bruker BioSciences Corp. (a)	163	657
Cardiodynamics International Corp. (a) ..	100	517
Chromavision Medical Systems, Inc. (a) ..	100	216
Cooper Companies, Inc.	100	7,059
Cyberonics, Inc. (a)	200	4,144
Cytoc Corp. (a)	100	2,757
Diagnostic Products Corp.	100	5,505
Edwards Lifesciences Corp. (a)	307,700	12,695,702
Epix Pharmaceuticals, Inc. (a)	122,400	2,192,184
IDEXX Laboratories, Inc. (a)	100	5,459
Illumina, Inc. (a)	356,400	3,378,672
INAMED Corp. (a)	150	9,488
Integra LifeSciences Holdings Corp. (a) ..	64,700	2,389,371
Intuitive Surgical, Inc. (a)	47,800	1,912,956
Kinetic Concepts, Inc.	20,300	1,548,890
Matthews International Corp. Class A ...	100	3,680
Meridian Bioscience, Inc.	135,350	2,353,737
Merit Medical Systems, Inc. (a)	133	2,037
Millipore Corp. (a)	255,900	12,746,379
Mine Safety Appliances Co.	300	15,210
Molecular Devices Corp. (a)	74,580	1,499,058
Ocular Sciences, Inc. (a)	46,300	2,269,163
Orthologic Corp. (a)	100,600	628,750
Osteotech, Inc. (a)	100	550
PolyMedica Corp.	200	7,458
Possis Medical, Inc. (a)	100	1,348
Sonic Innovations, Inc. (a)	151,300	630,921
SonoSight, Inc. (a)	100	3,395
Synovis Life Technologies, Inc. (a)	100	1,081
Synthes, Inc.	100	11,190
Thermo Electron Corp. (a)	265,200	8,006,388
Thoratec Corp. (a)	100	1,042
Varian, Inc. (a)	100	4,101
Ventana Medical Systems, Inc. (a)	19,200	1,228,608
Waters Corp. (a)	851,120	39,823,905
Wilson Greatbatch Technologies, Inc. (a)	800	17,936
Young Innovations, Inc.	100	3,373
Zimmer Holdings, Inc. (a)	100	8,012
Zoll Medical Corp. (a)	100	3,440
		<u>93,438,483</u>

Health Care Providers & Services - 5.6%

Advisory Board Co. (a)	100	3,688
Aetna, Inc.	216,200	26,970,950

**Fidelity Variable Insurance Products Fund: Mid Cap Portfolio
Investments - continued**

Common Stocks - continued

	Shares	Value (Note 1)
HEALTH CARE - continued		
Health Care Providers & Services - continued		
AMERIGROUP Corp. (a)	100	\$ 7,566
Andrx Corp. (a)	100	2,183
Caremark Rx, Inc. (a)	1,133,806	44,705,971
Centene Corp. (a)	100	2,835
Cerner Corp. (a)(d)	67,717	3,600,513
Community Health Systems, Inc. (a)	275,200	7,672,576
Covance, Inc. (a)	631,900	24,486,125
Coventry Health Care, Inc. (a)	50	2,654
Dynacq Healthcare, Inc. (a)(d)	100	480
Eclipsys Corp. (a)	100	2,043
Evotec OAI AG (a)	100	357
Gambro AB (A Shares)	100	1,426
Health Management Associates, Inc. Class A	100	2,272
HealthExtras, Inc. (a)	203,200	3,312,160
Humana, Inc. (a)	255,300	7,579,857
ICON PLC sponsored ADR (a)	335,326	12,960,350
IDX Systems Corp. (a)	100	3,446
IMS Health, Inc.	1,303,600	30,256,556
iSoft Group PLC	35	232
Lifeline Systems, Inc. (a)	155,900	4,015,984
Merge Technologies, Inc. (a)	100	2,225
Molina Healthcare, Inc. (a)	150,857	6,996,748
NDCHealth Corp.	100	1,859
OCA, Inc. (a)	100	635
Odyssey Healthcare, Inc. (a)	200	2,736
Omnicare, Inc.	138,650	4,800,063
PAREXEL International Corp. (a)	411,300	8,349,390
Pediatrics Medical Group, Inc. (a)	100	6,405
Pharmaceutical Product Development, Inc. (a)	438,700	18,113,923
ProxyMed, Inc. (a)	181,142	1,778,814
Quest Diagnostics, Inc.	200	19,110
Renal Care Group, Inc. (a)	150	5,399
ResCare, Inc. (a)	1,188,803	18,093,582
TriZetto Group, Inc. (a)	100	950
VCA Antech, Inc. (a)	80,900	1,585,640
WebMD Corp. (a)	100	816
WellPoint, Inc. (a)	200	23,000
		<u>225,371,519</u>
Pharmaceuticals - 1.5%		
Able Laboratories, Inc. (a)	100	2,275
Allergan, Inc.	100	8,107
American Pharmaceutical Partners, Inc. (a)	150	5,612
Bentley Pharmaceuticals, Inc. (a)	9,200	98,900
Caraco Pharmaceutical Laboratories Ltd. (a)	100	955
Cipla Ltd.	50,500	371,073
Connetics Corp. (a)	416,700	10,121,643
Dr. Reddy's Laboratories Ltd. ADR	186,900	3,706,227

	Shares	Value (Note 1)
Endo Pharmaceuticals Holdings, Inc. (a)	200	\$ 4,204
Hi-Tech Pharmacal Co., Inc. (a)	100	1,844
Impax Laboratories, Inc. (a)	100	1,588
KV Pharmaceutical Co. Class A (a)	150	3,308
Merck KGaA	293,321	20,141,931
Nektar Therapeutics (a)	100	2,024
Ranbaxy Laboratories Ltd. sponsored GDR	270,300	7,868,433
Roche Holding AG:		
ADR (a)	10,600	1,217,728
(participation certificate)	60,543	6,917,986
Salix Pharmaceuticals Ltd. (a)	150	2,639
Schering-Plough Corp.	344,000	7,182,720
SuperGen, Inc. (a)	100	705
Warner Chilcott PLC ADR	100	6,531
		<u>57,666,433</u>
TOTAL HEALTH CARE		<u>637,380,296</u>

INDUSTRIALS - 11.2%

Aerospace & Defense - 1.3%

Ceradyne, Inc. (a)	150	8,582
Cubic Corp.	100	2,517
DRS Technologies, Inc. (a)	230,000	9,823,300
EDO Corp.	180,400	5,727,700
Embraer - Empresa Brasileira de Aeronautica SA sponsored ADR	100	3,344
General Dynamics Corp.	100	10,460
L-3 Communications Holdings, Inc.	478,800	35,067,312
Rockwell Collins, Inc.	100	3,944
		<u>50,647,159</u>

Air Freight & Logistics - 0.4%

Business Post Group PLC	100	1,195
C.H. Robinson Worldwide, Inc.	44,950	2,495,624
CNF, Inc.	100	5,010
Dynamex, Inc. (a)	80	1,482
Expeditors International of Washington, Inc.	33,700	1,883,156
Forward Air Corp. (a)	100	4,470
Hub Group, Inc. Class A (a)	193,420	10,100,392
		<u>14,491,329</u>

Airlines - 0.0%

Southwest Airlines Co.	100	1,628
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Building Products - 0.2%

American Woodmark Corp.	200	8,736
Quixote Corp.	100	2,033
Simpson Manufacturing Co. Ltd.	78,800	2,750,120
Trex Co., Inc. (a)	69,800	3,660,312
Wienerberger AG	100	4,768
		<u>6,425,969</u>

Commercial Services & Supplies - 2.8%

Apollo Group, Inc. Class A (a)	311	25,101
Benesse Corp.	100	3,505

See accompanying notes which are an integral part of the financial statements.

Common Stocks - continued

	Shares	Value (Note 1)
INDUSTRIALS - continued		
Commercial Services & Supplies - continued		
Bennett Environmental, Inc. (a)	167,100	\$ 593,205
Bright Horizons Family Solutions, Inc. (a)	613,097	39,704,162
Bunzl PLC	101	842
Career Education Corp. (a)	100	4,000
ChoicePoint, Inc. (a)	350,500	16,119,495
Coinstar, Inc. (a)	100	2,683
Concorde Career Colleges, Inc. (a)	100	2,030
Corporate Executive Board Co.	100	6,694
CoStar Group, Inc. (a)	100	4,618
Dun & Bradstreet Corp. (a)	100	5,965
Education Management Corp. (a)	47,300	1,561,373
Fullcast Co. Ltd. (d)	5,184	14,828,781
Gevity HR, Inc.	100	2,056
GFK AG	20	777
Intertek Group PLC	100	1,353
Ionics, Inc. (a)(d)	666,900	28,903,446
ITE Group PLC	100	166
ITT Educational Services, Inc. (a)	100	4,755
Labor Ready, Inc. (a)	100	1,692
National Research Corp. (a)	100	1,615
PICO Holdings, Inc. (a)	100	2,077
Princeton Review, Inc. (a)	609,587	3,748,960
Ritchie Brothers Auctioneers, Inc.	200	6,612
Robert Half International, Inc.	100	2,943
Societe Generale de Surveillance Holding SA (SGS) (Reg.)	91	63,611
Stericycle, Inc. (a)	100	4,595
Tele Atlas NV (a)	100	1,205
Tetra Tech, Inc. (a)	74	1,239
The Brink's Co.	54,600	2,157,792
Universal Technical Institute, Inc.	85,900	3,274,508
		<u>111,041,856</u>
Construction & Engineering - 1.6%		
Arcadis NV	9,700	180,272
Arcadis NV	6,600	121,559
Chicago Bridge & Iron Co. NV (NY Shares)	302,800	12,112,000
Dycom Industries, Inc. (a)	591,900	18,064,788
EMCOR Group, Inc. (a)	100	4,518
Fluor Corp.	301,500	16,434,765
Foster Wheeler Ltd. (a)	294,331	4,671,033
Jacobs Engineering Group, Inc. (a)	288,800	13,801,752
		<u>65,390,687</u>
Electrical Equipment - 0.5%		
AstroPower, Inc. (a)	100	1
Baldor Electric Co.	80,900	2,227,177
BYD Co. Ltd. (H Shares)	174,500	462,472
Crompton Greaves Ltd.	144,396	995,414
Fujikura Ltd.	1,000	4,608
Il-VI, Inc. (a)	100	4,249

	Shares	Value (Note 1)
Rockwell Automation, Inc.	306,900	\$ 15,206,895
Roper Industries, Inc.	38,700	2,351,799
		<u>21,252,615</u>
Industrial Conglomerates - 0.1%		
Teleflex, Inc.	77,700	4,035,738
Machinery - 3.6%		
AGCO Corp. (a)	2,106,400	46,109,096
CNH Global NV	512,000	9,917,440
CUNO, Inc. (a)	117,600	6,985,440
Donaldson Co., Inc.	200	6,516
Dover Corp.	14,600	612,324
Flowserve Corp. (a)	962,700	26,512,758
Gardner Denver, Inc. (a)	64,400	2,337,076
Graco, Inc.	668,700	24,975,945
Harsco Corp.	177,200	9,877,128
Heidelberger Druckmaschinen AG (a)	124,900	4,235,827
Illinois Tool Works, Inc.	100	9,268
Koyo Seiko Co. Ltd.	1,000	14,078
Middleby Corp.	100	5,072
PACCAR, Inc.	150	12,072
Toshiba Machine Co. Ltd.	1,000	4,383
Trinity Industries, Inc.	4,900	166,992
Wabash National Corp. (a)	100	2,693
Wabtec Corp.	198,700	4,236,284
Watts Water Technologies, Inc. Class A	105,800	3,410,992
Zenon Environmental, Inc. (a)	345,300	6,747,738
		<u>146,179,122</u>
Marine - 0.1%		
Alexander & Baldwin, Inc.	90,349	3,832,605
Road & Rail - 0.4%		
Burlington Northern Santa Fe Corp.	207,700	9,826,287
Guangshen Railway Co. Ltd. sponsored ADR	100	2,047
Heartland Express, Inc.	150	3,371
Knight Transportation, Inc.	150	3,720
Landstar System, Inc. (a)	22,100	1,627,444
Norfolk Southern Corp.	124,900	4,520,131
Old Dominion Freight Lines, Inc. (a)	150	5,220
		<u>15,988,220</u>
Trading Companies & Distributors - 0.2%		
Fastenal Co.	200	12,312
MSC Industrial Direct Co., Inc. Class A	267,300	9,617,454
Richelieu Hardware Ltd.	100	1,831
		<u>9,631,597</u>
Transportation Infrastructure - 0.0%		
Sea Containers Ltd. Class B	7,900	153,260
		<u>153,260</u>
TOTAL INDUSTRIALS		<u>449,071,785</u>
INFORMATION TECHNOLOGY - 9.1%		
Communications Equipment - 0.8%		
Arris Group, Inc. (a)	100	704

See accompanying notes which are an integral part of the financial statements.

**Fidelity Variable Insurance Products Fund: Mid Cap Portfolio
Investments - continued**

Common Stocks - continued

	Shares	Value (Note 1)
INFORMATION TECHNOLOGY - continued		
Communications Equipment - continued		
Avaya, Inc. (a)	2,900	\$ 49,880
Black Box Corp.	100	4,802
Comtech Telecommunications Corp. (a)	100	3,761
NETGEAR, Inc. (a)(d)	548,100	9,969,939
Option NV (a)	90	3,229
Plantronics, Inc.	139,900	5,801,653
Polycom, Inc. (a)	200	4,664
Research In Motion Ltd. (a)	53,200	4,379,247
SafeNet, Inc. (a)	86,601	3,181,721
Tandberg ASA	681,000	8,446,555
		<u>31,846,155</u>
Computers & Peripherals - 0.0%		
Applied Films Corp. (a)	100	2,156
Compal Electronics, Inc.	1,072	1,069
Gemplus International SA ADR (a)	100	466
iCAD, Inc. (a)	100	447
Intergraph Corp. (a)	100	2,693
M-Systems Flash Disk Pioneers Ltd. (a)	900	17,748
Moser-Baer India Ltd.	200	1,083
Network Appliance, Inc. (a)	100	3,322
Overland Storage, Inc. (a)	100	1,669
Psion PLC	100	103
Stratatsys, Inc. (a)	150	5,034
Synaptics, Inc. (a)	100	3,058
		<u>38,848</u>
Electronic Equipment & Instruments - 3.2%		
Brightpoint, Inc. (a)	150	2,931
CDW Corp.	173,492	11,511,194
CellStar Corp. (a)	100	445
Cogent, Inc.	200	6,600
Cognex Corp.	100	2,790
Dionex Corp. (a)	108,200	6,131,694
Elec & Eltek International Co. Ltd.	1,613,000	4,580,920
Excel Technology, Inc. (a)	100	2,600
Fargo Electronics, Inc. (a)	100	1,499
FLIR Systems, Inc. (a)	89,245	5,692,939
Global Imaging Systems, Inc. (a)	100	3,950
Hon Hai Precision Industries Co. Ltd.	8,750,800	40,464,536
I. D. Systems Inc. (a)	100	1,866
Iteris, Inc. (a)	100	345
Itron, Inc. (a)	100	2,391
Keyence Corp.	19,700	4,415,816
Landauer, Inc.	100	4,570
Measurement Specialties, Inc. (a)	100	2,546
Metrologic Instruments, Inc. (a)	200	4,250
Mettler-Toledo International, Inc. (a)	259,800	13,330,338
MTS Systems Corp.	100	3,381
National Instruments Corp.	100	2,725
Robotic Vision Systems, Inc. (a)	100	77

	Shares	Value (Note 1)
ScanSource, Inc. (a)	100	\$ 6,216
Symbol Technologies, Inc.	2,551,600	44,142,680
Universal Display Corp. (a)	100	900
Yageo Corp. sponsored GDR (a)	100	170
		<u>130,320,369</u>
Internet Software & Services - 1.0%		
Akamai Technologies, Inc. (a)	100	1,303
aQuantive, Inc. (a)	218,811	1,956,170
Ask Jeeves, Inc. (a)	100	2,675
Bankrate, Inc. (a)	100	1,385
Blue Coat Systems, Inc. (a)	100	1,861
Digital Impact, Inc. (a)	100	142
Digital River, Inc. (a)	101,802	4,235,981
DoubleClick, Inc. (a)	100	778
EarthLink, Inc. (a)	100	1,152
FindWhat.com (a)	100	1,773
Homestore, Inc. (a)	100	303
InfoSpace, Inc. (a)	100	4,755
iPass, Inc. (a)	100	740
iVillage, Inc. (a)	100	618
LookSmart Ltd. (a)	100	219
Neoforma, Inc. (a)	100	769
Net2Phone, Inc. (a)	100	340
Netease.com, Inc. sponsored ADR (a)	100	5,283
NIC, Inc. (a)	10	51
Open Text Corp. (a)	100	2,008
RealNetworks, Inc. (a)	1,440,109	9,533,522
Sina Corp. (a)	100	3,206
Sohu.com, Inc. (a)(d)	39,000	690,690
SonicWALL, Inc. (a)	100	632
ValueClick, Inc. (a)	100	1,333
VeriSign, Inc. (a)	686,300	23,004,776
WebEx Communications, Inc. (a)	100	2,378
Websense, Inc. (a)	27,400	1,389,728
		<u>40,844,571</u>
IT Services - 1.1%		
Affiliated Computer Services, Inc.		
Class A (a)	623,900	37,552,541
Alliance Data Systems Corp. (a)	100	4,748
Anteon International Corp. (a)	100	4,186
DST Systems, Inc. (a)	600	31,272
Global Payments, Inc.	100	5,854
Hewitt Associates, Inc. Class A (a)	100	3,201
iGate Corp. (a)	100	405
Infocrossing, Inc. (a)	100	1,693
Infosys Technologies Ltd. sponsored ADR	200	13,862
infoUSA, Inc. (a)	100	1,119
Lionbridge Technologies, Inc. (a)	874,300	5,875,296
Maximus, Inc. (a)	100	3,112
Satyam Computer Services Ltd.	100	949
StarTek, Inc.	100	2,845
SunGard Data Systems, Inc. (a)	200	5,666
Syntel, Inc.	100	1,754

See accompanying notes which are an integral part of the financial statements.

Common Stocks – continued

	Shares	Value (Note 1)
INFORMATION TECHNOLOGY – continued		
IT Services – continued		
The BISYS Group, Inc. (a)	100	\$ 1,645
TietoEnator Oyj	100	3,174
Total System Services, Inc.	100	2,430
Tyler Technologies, Inc. (a)	100	836
		<u>43,516,588</u>
Office Electronics – 0.3%		
Neopost SA	2,200	170,708
Zebra Technologies Corp. Class A (a)	218,125	12,276,075
		<u>12,446,783</u>
Semiconductors & Semiconductor Equipment – 1.3%		
Agere Systems, Inc. Class A (a)	100	137
Analog Devices, Inc.	49,700	1,834,924
ARM Holdings PLC sponsored ADR	100	617
ASM Pacific Technology Ltd.	500	1,801
Cabot Microelectronics Corp. (a)	289,900	11,610,495
Cree, Inc. (a)	46,100	1,847,688
Hi/fn, Inc. (a)	8	74
International Rectifier Corp. (a)	15,700	699,749
KLA-Tencor Corp. (a)	31,500	1,467,270
Linear Technology Corp.	100	3,876
Marvell Technology Group Ltd. (a)	200	7,094
NVIDIA Corp. (a)	917,300	21,611,588
Omnivision Technologies, Inc. (a)	400	7,340
Pixelworks, Inc. (a)	100	1,134
PLX Technology, Inc. (a)	100	1,040
Silicon Image, Inc. (a)	100	1,646
Skyworks Solutions, Inc. (a)	389,700	3,674,871
Varian Semiconductor Equipment Associates, Inc. (a)	206,900	7,624,265
Zoran Corp. (a)	100	1,158
		<u>50,396,767</u>
Software – 1.4%		
Adobe Systems, Inc.	75,300	4,724,322
Altiris, Inc. (a)	100	3,543
Bottomline Technologies, Inc. (a)	11	159
Cadence Design Systems, Inc. (a)	100	1,381
CCC Information Services Group, Inc. (a)	100	2,221
Citrix Systems, Inc. (a)	100	2,453
DATATRAK International, Inc. (a)	100	1,113
Digimarc Corp. (a)	100	932
Electronic Arts, Inc. (a)	100	6,168
FactSet Research Systems, Inc.	100	5,844
FileNET Corp. (a)	100	2,576
Hyperion Solutions Corp. (a)	100	4,662
Informatica Corp. (a)	100	812
Intuit, Inc. (a)	132,800	5,844,528
JAMDAT Mobile, Inc.	100	2,065
Macromedia, Inc. (a)	100	3,112
Macrovision Corp. (a)	389,944	10,029,360
Manhattan Associates, Inc. (a)	100	2,388

	Shares	Value (Note 1)
MRO Software, Inc. (a)	100	\$ 1,302
Napster, Inc. (a)	100	940
NAVTEQ Corp.	100	4,636
NDS Group PLC sponsored ADR (a)	100	3,408
Open Solutions, Inc. (a)	437,209	11,349,946
Plato Learning, Inc. (a)	100	745
Quality Systems, Inc. (a)	100	5,980
Renaissance Learning, Inc.	70	1,299
RSA Security, Inc. (a)	100,687	2,019,781
Salesforce.com, Inc.	60,000	1,016,400
ScanSoft, Inc. (a)	100	419
SERENA Software, Inc. (a)	100	2,164
Symantec Corp. (a)	100	2,576
Synopsys, Inc. (a)	325,800	6,392,196
TALX Corp.	83,200	2,145,728
Temenos Group AG (a)	100	922
THQ, Inc. (a)	313,900	7,200,866
TIBCO Software, Inc. (a)	100	1,334
Vastera, Inc. (a)	667,400	1,755,262
Visual Networks, Inc. (a)	767,308	2,670,232
WatchGuard Technologies, Inc. (a)	10	44
		<u>55,213,819</u>
TOTAL INFORMATION TECHNOLOGY		<u>364,623,900</u>

MATERIALS – 18.4%

Chemicals – 1.9%

American Vanguard Corp.	150	5,517
Asian Paints India Ltd.	45,800	338,920
Balchem Corp.	100	3,469
Cambrex Corp.	100	2,710
Ecolab, Inc. (d)	509,300	17,891,709
Headwaters, Inc. (a)	100	2,850
K&S AG	59,500	3,155,946
Lonza Group AG	10	562
Minerals Technologies, Inc.	34,200	2,281,140
Monsanto Co.	178,300	9,904,565
Mosaic Co. (a)	117,900	1,924,128
Nitto Denko Corp.	181,200	9,941,853
NOVA Chemicals Corp.	251,500	11,883,375
Novozymes AS Series B	100	5,071
Olin Corp.	104,900	2,309,898
Potash Corp. of Saskatchewan	100	8,313
Praxair, Inc.	47,000	2,075,050
Quaker Chemical Corp.	100	2,484
Sasa Dupont Sabanci Polyester Sanayi AS (a)	1,000	1
Sinopec Beijing Yanhua Petrochemical Co. Ltd. sponsored ADR	100	2,337
Sinopec Shanghai Petrochemical Co. Ltd. (H Shares)	2,000	746

See accompanying notes which are an integral part of the financial statements.

Fidelity Variable Insurance Products Fund: Mid Cap Portfolio Investments - continued

Common Stocks - continued

	Shares	Value (Note 1)
MATERIALS - continued		
Chemicals - continued		
Sinopec Shanghai Petrochemical Co. Ltd.: - continued		
sponsored ADR (d)	125,400	\$ 4,677,420
Tosoh Corp.	1,859,500	8,368,930
		<u>74,786,994</u>
Construction Materials - 0.0%		
Cemex SA de CV sponsored ADR	104	3,788
Florida Rock Industries, Inc.	150	8,930
Vulcan Materials Co.	13,000	709,930
		<u>722,648</u>
Containers & Packaging - 0.4%		
Essel Propack Ltd.	13,700	84,069
Packaging Corp. of America	565,300	13,312,815
Silgan Holdings, Inc.	40,500	2,468,880
		<u>15,865,764</u>
Metals & Mining - 15.8%		
Agnico-Eagle Mines Ltd.	1,180,230	16,247,833
Agnico-Eagle Mines Ltd. warrants 11/14/07 (a)	23,350	64,446
Aleris International, Inc. (a)	100	1,692
Arch Coal, Inc.	365,400	12,986,316
Barrick Gold Corp.	100	2,417
BHP Billiton Ltd. sponsored ADR	15,500	372,310
BlueScope Steel Ltd.	1,037,200	6,694,919
Brush Engineered Materials, Inc. (a)	100	1,850
Compania de Minas Buenaventura SA sponsored ADR	1,105,300	25,311,370
CONSOL Energy, Inc.	763,900	31,358,095
Dofasco, Inc.	100	3,783
Falconbridge Ltd.	225,900	5,854,575
FNX Mining Co., Inc. (a)	164,300	709,228
Freeport-McMoRan Copper & Gold, Inc. Class B	1,273,800	48,697,374
Gibraltar Industries, Inc.	106,400	2,513,168
Glamis Gold Ltd. (a)	129,400	2,217,053
Goldcorp, Inc.	50,000	752,500
Golden Star Resources Ltd. (a)	250,000	1,004,167
Harmony Gold Mining Co. Ltd.	1,049,100	9,725,158
High River Gold Mines Ltd. (a)	1,989,600	3,034,140
Inco Ltd. (a)	100	3,667
Inmet Mining Corp. (a)	712,800	12,794,760
International Steel Group, Inc.	2,500	101,400
IPSCO, Inc.	1,165,900	55,681,441
Ivanhoe Mines Ltd. (a)	90,500	652,354
Kinross Gold Corp. (a)	4,204,866	29,609,265
Massey Energy Co.	289,794	10,128,300
Meridian Gold, Inc. (a)	100	1,895
Newmont Mining Corp.	2,267,580	100,703,207
Nippon Steel Corp.	3,401,000	8,333,994

	Shares	Value (Note 1)
Noranda, Inc.	100	\$ 1,755
Nucor Corp. (d)	1,866,700	97,703,078
Peabody Energy Corp.	233,400	18,884,394
Phelps Dodge Corp.	89,200	8,823,664
Placer Dome, Inc.	100	1,882
POSCO sponsored ADR	100	4,453
Ryerson Tull, Inc.	100	1,575
Schnitzer Steel Industries, Inc. Class A	150	5,090
Steel Dynamics, Inc.	1,728,994	65,494,293
Teck Cominco Ltd. Class B (sub. vtg.) (d)	1,118,800	34,421,747
United States Steel Corp.	354,300	18,157,875
Usinas Siderurgicas de Minas Gerais SA (Usiminas) (PN-A)	203,000	4,115,030
Worthington Industries, Inc.	3,200	62,656
Xstrata PLC	100	1,789
		<u>633,241,958</u>

Paper & Forest Products - 0.3%

International Forest Products (Interfor) Class A (a)	9,100	52,325
Lee & Man Paper Manufacturing Ltd.	6,792,000	5,548,734
MAXXAM, Inc. (a)	100	3,260
Sino-Forest Corp. (a)	2,545,700	7,276,459
Votorantim Celulose e Papel SA sponsored ADR (non-vtg.)	250	4,050
		<u>12,884,828</u>

TOTAL MATERIALS 737,502,192

TELECOMMUNICATION SERVICES - 1.9%

Diversified Telecommunication Services - 0.8%

Covad Communications Group, Inc. (a)	2,491,761	5,357,286
General Communications, Inc. Class A (a)	100	1,104
Golden Telecom, Inc.	100	2,642
Hungarian Telephone & Cable Corp. (a)	100	1,440
Philippine Long Distance Telephone Co. (a)	100	2,421
Philippine Long Distance Telephone Co. sponsored ADR (a)(d)	425,600	10,610,208
PT Indosat Tbk sponsored ADR	100	3,118
PT Telekomunikasi Indonesia Tbk sponsored ADR	722,300	15,182,746
		<u>31,160,965</u>

Wireless Telecommunication Services - 1.1%

America Movil SA de CV sponsored ADR	224,300	11,742,105
Boston Communications Group, Inc. (a)	100	924
MTN Group Ltd.	2,253,716	17,305,369
Nextel Communications, Inc. Class A (a)	100	3,000
Nextel Partners, Inc. Class A (a)	100	1,954
NII Holdings, Inc. (a)	349,008	16,560,430
Telemig Celular Participacoes SA ADR	100	2,823
		<u>45,616,605</u>

TOTAL TELECOMMUNICATION SERVICES 76,777,570

See accompanying notes which are an integral part of the financial statements.

Common Stocks – continued

	Shares	Value (Note 1)
UTILITIES – 0.0%		
Electric Utilities – 0.0%		
FPL Group, Inc.	100	\$ 7,475
PPL Corp.	100	5,328
		<u>12,803</u>
Multi-Utilities & Unregulated Power – 0.0%		
Public Service Enterprise Group, Inc. ...	100	5,177
TOTAL UTILITIES		<u>17,980</u>

TOTAL COMMON STOCKS
(Cost \$2,720,027,228) **3,869,885,699**

Nonconvertible Preferred Stocks – 0.0%

CONSUMER DISCRETIONARY – 0.0%		
Automobiles – 0.0%		
Porsche AG (non-vtg.)	100	63,690
Household Durables – 0.0%		
Fedders Corp. Series A, 8.60%	5	120
TOTAL NONCONVERTIBLE PREFERRED STOCKS (Cost \$58,459)		<u>63,810</u>

Money Market Funds – 4.0%

Fidelity Cash Central Fund, 2.24% (b)	99,587,186	99,587,186
Fidelity Securities Lending Cash Central Fund, 2.23% (b)(c)	59,013,966	59,013,966
TOTAL MONEY MARKET FUNDS (Cost \$158,601,152)		<u>158,601,152</u>

**TOTAL INVESTMENT
PORTFOLIO – 100.7%**
(Cost \$2,878,686,839) **4,028,550,661**

NET OTHER ASSETS – (0.7)% **(28,308,362)**

NET ASSETS – 100% **\$ 4,000,242,299**

Legend

- (a) Non-income producing
- (b) Affiliated fund that is available only to investment companies and other accounts managed by Fidelity Investments. The rate quoted is the annualized seven-day yield of the fund at period end. A complete listing of the fund's holdings as of its most recent fiscal year end is available upon request.
- (c) Includes investment made with cash collateral received from securities on loan.
- (d) Security or a portion of the security is on loan at period end.
- (e) Affiliated company

Other Information

Distribution of investments by country of issue, as a percentage of total net assets, is as follows:

United States of America	72.7%
Canada	7.1%
Japan	3.9%
Netherlands	1.9%
India	1.5%
Bermuda	1.2%
Cayman Islands	1.1%
Italy	1.1%
Taiwan	1.0%
Others (individually less than 1%)	8.5%
	<u>100.0%</u>

See accompanying notes which are an integral part of the financial statements.

**Fidelity Variable Insurance Products Fund: Mid Cap Portfolio
Investments – continued**

An affiliated company is a company in which the fund has ownership of at least 5% of the voting securities. Companies which are affiliates of the fund at period-end are noted in the fund's Schedule of Investments. Transactions during the period with companies which are or were affiliates are as follows:

Affiliates	Value, beginning of period	Purchases	Sales Proceeds	Dividend Income	Value, end of period
Bright Horizons Family Solutions, Inc.	\$ 28,782,600	\$ —	\$ 4,594,980	\$ —	\$ —
Foster Wheeler Ltd.	—	3,915,209	—	—	—
Harvard Bioscience, Inc.	24,939,580	1,612,609	1,104,712	—	13,996,708
IMPSCO Technologies, Inc.	1,771,032	8,777,717	791,283	—	11,373,320
Total	<u>\$ 55,493,212</u>	<u>\$ 14,305,535</u>	<u>\$ 6,490,975</u>	<u>\$ —</u>	<u>\$ 25,370,028</u>

Income Tax Information

The fund hereby designates as capital gain dividends: For dividends with respect to the taxable year ended December 31, 2004, \$68,763,000 or, if different, the net capital gain of such year.

See accompanying notes which are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

December 31, 2004

Assets	
Investment in securities, at value (including securities loaned of \$57,253,994) (cost \$2,878,686,839) — See accompanying schedule	\$ 4,028,550,661
Cash	118,202
Foreign currency held at value (cost \$9,142,039)	9,609,981
Receivable for investments sold	41,707,554
Receivable for fund shares sold	2,072,663
Dividends receivable	2,016,209
Interest receivable	213,204
Prepaid expenses	11,603
Other receivables	214,767
Total assets	<u>4,084,514,844</u>
Liabilities	
Payable for investments purchased	\$ 19,788,804
Payable for fund shares redeemed	1,032,969
Accrued management fee	1,840,389
Distribution fees payable	506,394
Other affiliated payables	310,760
Other payables and accrued expenses	1,779,263
Collateral on securities loaned, at value	59,013,966
Total liabilities	<u>84,272,545</u>
Net Assets	<u>\$ 4,000,242,299</u>
Net Assets consist of:	
Paid in capital	\$ 2,787,744,560
Undistributed net investment income	68,191
Accumulated undistributed net realized gain (loss) on investments and foreign currency transactions	63,335,377
Net unrealized appreciation (depreciation) on investments and assets and liabilities in foreign currencies	1,149,094,171
Net Assets	<u>\$ 4,000,242,299</u>
Initial Class:	
Net Asset Value , offering price and redemption price per share (\$979,532,916 ÷ 32,457,007 shares)	<u>\$ 30.18</u>
Service Class:	
Net Asset Value , offering price and redemption price per share (\$819,411,575 ÷ 27,246,677 shares)	<u>\$ 30.07</u>
Service Class 2:	
Net Asset Value , offering price and redemption price per share (\$2,201,297,808 ÷ 73,675,095 shares)	<u>\$ 29.88</u>

Statement of Operations

Year ended December 31, 2004

Investment Income	
Dividends	\$ 19,986,604
Interest	811,862
Security lending	749,362
Total income	<u>21,547,828</u>
Expenses	
Management fee	\$ 17,263,105
Transfer agent fees	2,044,982
Distribution fees	4,605,289
Accounting and security lending fees	941,481
Non-interested trustees' compensation	15,949
Custodian fees and expenses	426,013
Audit	52,412
Legal	6,596
Interest	709
Miscellaneous	576,544
Total expenses before reductions	25,933,080
Expense reductions	(742,557)
	<u>25,190,523</u>
Net investment income (loss)	<u>(3,642,695)</u>
Realized and Unrealized Gain (Loss)	
Net realized gain (loss) on:	
Investment securities (Including realized gain of \$2,737,245 from affiliated issuers)	195,588,243
Foreign currency transactions	(153,730)
Total net realized gain (loss)	195,434,513
Change in net unrealized appreciation (depreciation) on:	
Investment securities (net of increase in deferred foreign taxes of \$918,145)	535,771,834
Assets and liabilities in foreign currencies	481,551
Total change in net unrealized appreciation (depreciation)	536,253,385
Net gain (loss)	<u>731,687,898</u>
Net increase (decrease) in net assets resulting from operations	<u>\$ 728,045,203</u>

See accompanying notes which are an integral part of the financial statements.

**Fidelity Variable Insurance Products Fund: Mid Cap Portfolio
Financial Statements - continued**

Statement of Changes in Net Assets

	Year ended December 31, 2004	Year ended December 31, 2003 ^A
Increase (Decrease) in Net Assets		
Operations		
Net investment income (loss)	\$ (3,642,695)	\$ (2,294,177)
Net realized gain (loss)	195,434,513	29,542,718
Change in net unrealized appreciation (depreciation)	536,253,385	575,223,419
Net increase (decrease) in net assets resulting from operations	<u>728,045,203</u>	<u>602,471,960</u>
Distributions to shareholders from net investment income	—	(5,082,393)
Share transactions — net increase (decrease)	835,964,194	440,089,337
Total increase (decrease) in net assets	<u>1,564,009,397</u>	<u>1,037,478,904</u>
Net Assets		
Beginning of period	2,436,232,902	1,398,753,998
End of period (including undistributed net investment income of \$68,191 and undistributed net investment income of \$76,412, respectively)	<u>\$ 4,000,242,299</u>	<u>\$ 2,436,232,902</u>

Other Information:

Share Transactions

	Year ended December 31, 2004		
	Initial Class	Service Class	Service Class 2
Shares			
Sold	7,712,308	4,751,291	29,867,543
Reinvested	—	—	—
Redeemed	(3,341,075)	(1,581,671)	(5,307,215)
Net increase (decrease)	<u>4,371,233</u>	<u>3,169,620</u>	<u>24,560,328</u>
Dollars			
Sold	\$ 203,215,754	\$ 122,478,823	\$ 766,867,153
Reinvested	—	—	—
Redeemed	(83,674,683)	(40,224,756)	(132,698,097)
Net increase (decrease)	<u>\$ 119,541,071</u>	<u>\$ 82,254,067</u>	<u>\$ 634,169,056</u>

Share Transactions

	Year ended December 31, 2003		
	Initial Class	Service Class	Service Class 2
Shares			
Sold	4,434,612	4,691,539	24,537,608
Reinvested	131,528	76,717	95,288
Redeemed	(5,011,471)	(2,353,097)	(5,472,778)
Net increase (decrease)	<u>(445,331)</u>	<u>2,415,159</u>	<u>19,160,118</u>
Dollars			
Sold	\$ 95,795,053	\$ 94,175,028	\$ 482,784,357
Reinvested	2,207,036	1,285,007	1,590,350
Redeemed	(89,867,137)	(43,168,976)	(104,711,381)
Net increase (decrease)	<u>\$ 8,134,952</u>	<u>\$ 52,291,059</u>	<u>\$ 379,663,326</u>

Distributions

	Year ended December 31, 2003		
	Initial Class	Service Class	Service Class 2
From net investment income	<u>\$ 2,207,036</u>	<u>\$ 1,285,007</u>	<u>\$ 1,590,350</u>

^A Certain amounts have been reclassified. See Note 7 of Notes to Financial Statements.

See accompanying notes which are an integral part of the financial statements.

Financial Highlights – Initial Class

Years ended December 31,	2004	2003 ^F	2002	2001	2000
Selected Per-Share Data					
Net asset value, beginning of period	\$ 24.16	\$ 17.51	\$ 19.60	\$ 20.26	\$ 15.25
Income from Investment Operations					
Net investment income (loss) ^C	.01	— ^E	.09	.20	.19
Net realized and unrealized gain (loss)	6.01	6.73	(2.00)	(.86)	4.95
Total from investment operations	6.02	6.73	(1.91)	(.66)	5.14
Distributions from net investment income					
Distributions in excess of net realized gain	—	(.08)	(.18)	—	(.08)
Total distributions	—	(.08)	(.18)	—	(.13)
Net asset value, end of period	\$ 30.18	\$ 24.16	\$ 17.51	\$ 19.60	\$ 20.26
Total Return^{A, B}	24.92%	38.64%	(9.82)%	(3.26)%	33.78%
Ratios to Average Net Assets^D					
Expenses before expense reductions	.71%	.70%	.70%	.69%	.74%
Expenses net of voluntary waivers, if any	.71%	.70%	.70%	.69%	.74%
Expenses net of all reductions	.68%	.68%	.63%	.62%	.69%
Net investment income (loss)	.03%	—%	.51%	1.06%	1.01%
Supplemental Data					
Net assets, end of period (000 omitted)	\$ 979,533	\$ 678,480	\$ 499,557	\$ 574,934	\$ 589,026
Portfolio turnover rate	55%	51%	135%	144%	245%

^A Total returns do not reflect charges attributable to your insurance company's separate account. Inclusion of these charges would reduce the total returns shown.

^B Total returns would have been lower had certain expenses not been reduced during the periods shown.

^C Calculated based on average shares outstanding during the period.

^D Expense ratios reflect operating expenses of the class. Expenses before reductions do not reflect amounts reimbursed by the investment adviser or reductions from brokerage service arrangements or other expense offset arrangements and do not represent the amount paid by the class during periods when reimbursements or reductions occur. Expenses net of any voluntary waivers reflect expenses after reimbursement by the investment adviser but prior to reductions from brokerage service arrangements or other expense offset arrangements. Expenses net of all reductions represent the net expenses paid by the class.

^E Amount represents less than \$0.01 per share.

^F As the result of a correction made in the classification of distributions received on securities representing realized gains for the year ended December 31, 2003, amounts previously reported have been reclassified. The impact of this correction was a decrease in net investment loss of \$0.01 per share and a corresponding decrease in net realized and unrealized gain (loss). The ratio of net investment loss to average net assets decreased from (0.04)% to 0.00%. The reclassification had no impact on total net assets or total return of the class.

Financial Highlights – Service Class

Years ended December 31,	2004	2003 ^E	2002	2001	2000
Selected Per-Share Data					
Net asset value, beginning of period	\$ 24.10	\$ 17.46	\$ 19.54	\$ 20.22	\$ 15.24
Income from Investment Operations					
Net investment income (loss) ^C	(.02)	(.02)	.08	.18	.17
Net realized and unrealized gain (loss)	5.99	6.72	(2.00)	(.86)	4.93
Total from investment operations	5.97	6.70	(1.92)	(.68)	5.10
Distributions from net investment income					
Distributions in excess of net realized gain	—	(.06)	(.16)	—	(.07)
Total distributions	—	(.06)	(.16)	—	(.12)
Net asset value, end of period	\$ 30.07	\$ 24.10	\$ 17.46	\$ 19.54	\$ 20.22
Total Return^{A, B}	24.77%	38.52%	(9.90)%	(3.36)%	33.54%
Ratios to Average Net Assets^D					
Expenses before expense reductions	.81%	.80%	.80%	.79%	.84%
Expenses net of voluntary waivers, if any	.81%	.80%	.80%	.79%	.84%
Expenses net of all reductions	.78%	.78%	.73%	.72%	.79%
Net investment income (loss)	(.07)%	(.10)%	.41%	.96%	.92%
Supplemental Data					
Net assets, end of period (000 omitted)	\$ 819,412	\$ 580,179	\$ 378,264	\$ 366,665	\$ 282,941
Portfolio turnover rate	55%	51%	135%	144%	245%

^A Total returns do not reflect charges attributable to your insurance company's separate account. Inclusion of these charges would reduce the total returns shown.

^B Total returns would have been lower had certain expenses not been reduced during the periods shown.

^C Calculated based on average shares outstanding during the period.

^D Expense ratios reflect operating expenses of the class. Expenses before reductions do not reflect amounts reimbursed by the investment adviser or reductions from brokerage service arrangements or other expense offset arrangements and do not represent the amount paid by the class during periods when reimbursements or reductions occur. Expenses net of any voluntary waivers reflect expenses after reimbursement by the investment adviser but prior to reductions from brokerage service arrangements or other expense offset arrangements. Expenses net of all reductions represent the net expenses paid by the class.

^E As the result of a correction made in the classification of distributions received on securities representing realized gains for the year ended December 31, 2003, amounts previously reported have been reclassified. The impact of this correction was a decrease in net investment loss of \$0.01 per share and a corresponding decrease in net realized and unrealized gain (loss). The ratio of net investment loss to average net assets decreased from (0.14)% to (0.10)%. The reclassification had no impact on total net assets or total return of the class.

See accompanying notes which are an integral part of the financial statements.

**Fidelity Variable Insurance Products Fund: Mid Cap Portfolio
Financial Statements – continued**

Financial Highlights – Service Class 2

Years ended December 31, Selected Per-Share Data	2004	2003 ^F	2002	2001	2000 ^D
Net asset value, beginning of period	\$ 23.98	\$ 17.39	\$ 19.49	\$ 20.20	\$ 14.82
Income from Investment Operations					
Net investment income (loss) ^E	(.06)	(.05)	.05	.15	.14
Net realized and unrealized gain (loss)	5.96	6.69	(1.99)	(.86)	5.35
Total from investment operations	5.90	6.64	(1.94)	(.71)	5.49
Distributions from net investment income	—	(.05)	(.16)	—	(.06)
Distributions in excess of net realized gain	—	—	—	—	(.05)
Total distributions	—	(.05)	(.16)	—	(.11)
Net asset value, end of period	\$ 29.88	\$ 23.98	\$ 17.39	\$ 19.49	\$ 20.20
Total Return^{A, B}	24.60%	38.31%	(10.02)%	(3.51)%	37.12%
Ratios to Average Net Assets^E					
Expenses before expense reductions	.96%	.95%	.95%	.94%	.99% ^A
Expenses net of voluntary waivers, if any	.96%	.95%	.95%	.94%	.99% ^A
Expenses net of all reductions	.93%	.93%	.88%	.88%	.94% ^A
Net investment income (loss)	(.22)%	(.25)%	.25%	.81%	.76% ^A
Supplemental Data					
Net assets, end of period (000 omitted)	\$2,201,298	\$1,177,574	\$520,933	\$210,356	\$73,039
Portfolio turnover rate	55%	51%	135%	144%	245%

^A Total returns do not reflect charges attributable to your insurance company's separate account. Inclusion of these charges would reduce the total returns shown.

^B Total returns would have been lower had certain expenses not been reduced during the periods shown.

^C Calculated based on average shares outstanding during the period.

^D For the period January 12, 2000 (commencement of operations) to December 31, 2000.

^E Expense ratios reflect operating expenses of the class. Expenses before reductions do not reflect amounts reimbursed by the investment adviser or reductions from brokerage service arrangements or other expense offset arrangements and do not represent the amount paid by the class during periods when reimbursements or reductions occur. Expense ratios before reductions for start-up periods may not be representative of longer-term operating periods. Expenses net of any voluntary waivers reflect expenses after reimbursement by the investment adviser but prior to reductions from brokerage service arrangements or other expense offset arrangements. Expenses net of all reductions represent the net expenses paid by the class.

^F As the result of a correction made in the classification of distributions received on securities representing realized gains for the year ended December 31, 2003, amounts previously reported have been reclassified. The impact of this correction was a decrease in net investment loss of \$0.01 per share and a corresponding decrease in net realized and unrealized gain (loss). The ratio of net investment loss to average net assets decreased from (0.29)% to (0.25)%. The reclassification had no impact on total net assets or total return of the class.

See accompanying notes which are an integral part of the financial statements.

Notes to Financial Statements

For the period ended December 31, 2004

1. Significant Accounting Policies.

Mid Cap Portfolio (the fund) is a fund of Variable Insurance Products Fund III (the trust) (referred to in this report as Fidelity Variable Insurance Products: Mid Cap Portfolio) and is authorized to issue an unlimited number of shares. The trust is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as an open-end management investment company organized as a Massachusetts business trust. Shares of the fund may only be purchased by insurance companies for the purpose of funding variable annuity or variable life insurance contracts. The fund offers the following classes of shares: Initial Class shares, Service Class shares and Service Class 2 shares. All classes have equal rights and voting privileges, except for matters affecting a single class. Investment income, realized and unrealized capital gains and losses, the common expenses of the fund, and certain fund-level expense reductions, if any, are allocated on a pro rata basis to each class based on the relative net assets of each class to the total net assets of the fund. Each class differs with respect to distribution and service plan fees incurred. Certain expense reductions also differ by class.

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which require management to make certain estimates and assumptions at the date of the financial statements. The following summarizes the significant accounting policies of the fund:

Security Valuation. Net asset value per share (NAV calculation) is calculated as of the close of business of the New York Stock Exchange, normally 4:00 p.m. Eastern time. Equity securities, including restricted securities, for which market quotations are available are valued at the last sale price or official closing price (closing bid price or last evaluated quote if no sale has occurred) on the primary market or exchange on which they trade. If prices are not readily available or do not accurately reflect fair value for a security, or if a security's value has been materially affected by events occurring after the close of the exchange or market on which the security is principally traded, that security may be valued by another method that the Board of Trustees believes accurately reflects fair value. A security's valuation may differ depending on the method used for determining value. Price movements in futures contracts and ADRs, market and trading trends, the bid/ask quotes of brokers and off-exchange institutional trading may be reviewed in the course of making a good faith determination of a security's fair value. Short-term securities with remaining maturities of sixty days or less for which quotations are not readily available are valued on the basis of amortized cost. Investments in open-end investment companies are valued at their net asset value each business day.

Foreign Currency. The fund uses foreign currency contracts to facilitate transactions in foreign-denominated securities. Losses from these transactions may arise from changes in the value of the foreign currency or if the counterparties do not perform under the contracts' terms.

Foreign-denominated assets, including investment securities, and liabilities are translated into U.S. dollars at the exchange rate at period end. Purchases and sales of investment securities, income and dividends received and expenses denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date.

The effects of exchange rate fluctuations on investments are included with the net realized and unrealized gain (loss) on investment securities. Other foreign currency transactions resulting in realized and unrealized gain (loss) are disclosed separately.

Investment Transactions and Income. Security transactions are accounted for as of trade date. Gains and losses on securities sold are determined on the basis of identified cost and may include proceeds received from litigation. Dividend income is recorded on the ex-dividend date, except for certain dividends from foreign securities where the ex-dividend date may have passed, which are recorded as soon as the fund is informed of the ex-dividend date. Non-cash dividends included in dividend income, if any, are recorded at the fair market value of the securities received. Distributions received on securities that represent a return of capital or capital gain are recorded as a reduction of cost of investments and/or as a realized gain. The fund estimates the components of distributions received that may be considered return of capital distributions or capital gain distributions. Interest income is accrued as earned. Interest income includes coupon interest and amortization of premium and accretion of discount on debt securities. Investment income is recorded net of foreign taxes withheld where recovery of such taxes is uncertain.

Reclassification of Financial Information. As the result of a correction made in the classification of distributions received on securities representing realized gains for the year ended December 31, 2003, amounts previously reported have been reclassified. Net investment loss for the fund decreased by \$69,090, with a corresponding decrease to net realized gain. The reclassification has no impact on total net assets or total return of the fund.

Expenses. Most expenses of the trust can be directly attributed to a fund. Expenses which cannot be directly attributed are apportioned among the funds in the trust.

Income Tax Information and Distributions to Shareholders. Each year, the fund intends to qualify as a regulated investment company by distributing all of its taxable income and realized gains under Subchapter M of the Internal Revenue Code. As a result, no provision for income taxes is required in the accompanying financial statements. Foreign taxes are provided for based on the fund's understanding of the tax rules and rates that exist in the foreign markets in which it invests. Distributions are recorded on the ex-dividend date.

1. Significant Accounting Policies – continued

Income Tax Information and Distributions to Shareholders – continued

Income dividends and capital gain distributions are declared separately for each class. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles. Capital accounts within the financial statements are adjusted for permanent book-tax differences. These adjustments have no impact on net assets or the results of operations. Temporary book-tax differences will reverse in a subsequent period.

Book-tax differences are primarily due to foreign currency transactions, passive foreign investment companies (PFIC), partnerships, net operating losses, capital loss carryforwards and losses deferred due to wash sales.

The tax-basis components of distributable earnings and the federal tax cost as of period end were as follows:

Unrealized appreciation	\$ 1,164,223,599
Unrealized depreciation	(20,489,077)
Net unrealized appreciation (depreciation)	1,143,734,522
Undistributed long-term capital gain	68,763,219
Cost for federal income tax purposes	\$ 2,884,816,139

The tax character of distributions paid was as follows:

	December 31, 2004	December 31, 2003
Ordinary Income	\$ —	\$ 5,082,393

2. Operating Policies.

Repurchase Agreements. Fidelity Management & Research Company (FMR) has received an Exemptive Order from the Securities and Exchange Commission (the SEC) which permits the fund and other affiliated entities of FMR to transfer uninvested cash balances into joint trading accounts. These accounts are then invested in repurchase agreements that are collateralized by U.S. Treasury or Government obligations. The fund may also invest directly with institutions, in repurchase agreements that are collateralized by commercial paper obligations and corporate obligations. Collateral is held in segregated accounts with custodian banks and may be obtained in the event of a default of the counterparty. Collateral is marked-to-market daily and maintained at a value at least equal to the principal amount of the repurchase agreement (including accrued interest).

3. Purchases and Sales of Investments.

Purchases and sales of securities, other than short-term securities and U.S. government securities, aggregated \$2,400,817,321 and \$1,622,172,637, respectively.

4. Fees and Other Transactions with Affiliates.

Management Fee. FMR and its affiliates provide the fund with investment management related services for which the fund pays a monthly management fee. The management fee is the sum of an individual fund fee rate that is based on an annual rate of .30% of the fund's average net assets and a group fee rate that averaged .28% during the period. The group fee rate is based upon the average net assets of all the mutual funds advised by FMR. The group fee rate decreases as assets under management increase and increases as assets under management decrease. For the period, the total annual management fee rate was .57% of the fund's average net assets.

Distribution and Service Plan. In accordance with Rule 12b-1 of the 1940 Act, the fund has adopted separate 12b-1 Plans for each Service Class of shares. Each Service Class pays Fidelity Distributors Corporation (FDC), an affiliate of FMR, a service fee. For the period, the service fee is based on an annual rate of .10% of Service Class' average net assets and .25% of Service Class 2's average net assets.

For the period, each class paid FDC the following amounts, all of which were re-allowed to insurance companies for the distribution of shares and providing shareholder support services:

Service Class	\$ 665,057
Service Class 2	3,940,232
	<u>\$ 4,605,289</u>

4. Fees and Other Transactions with Affiliates – continued

Transfer Agent Fees. Fidelity Investments Institutional Operations Company, Inc. (FIIOC), an affiliate of FMR, is the fund's transfer, dividend disbursing, and shareholder servicing agent. FIIOC receives an asset-based fee with respect to each account. FIIOC pays a portion of the expenses related to the typesetting, printing and mailing of shareholder reports, except proxy statements. Each class pays a transfer agent fee, excluding out of pocket expenses, equal to an annual rate of .07% of their month end net assets. For the period, the total transfer agent fees paid by each class to FIIOC, including out of pocket expenses, were as follows:

Initial Class	\$	517,432
Service Class		449,572
Service Class 2		1,077,978
	\$	<u>2,044,982</u>

Accounting and Security Lending Fees. Fidelity Service Company, Inc. (FSC), an affiliate of FMR, maintains the fund's accounting records. The accounting fee is based on the level of average net assets for the month. Under a separate contract, FSC administers the security lending program. The security lending fee is based on the number and duration of lending transactions.

Central Funds. The fund may invest in affiliated Central Funds managed by Fidelity Investments Money Management, Inc. (FIMM), an affiliate of FMR. The Central Funds are open-end investment companies available only to investment companies and other accounts managed by FMR and its affiliates. The Central Funds seek preservation of capital and current income and do not pay a management fee. Income distributions earned by the fund are recorded as income in the accompanying financial statements and totaled \$803,656 for the period.

Brokerage Commissions. The fund placed a portion of its portfolio transactions with brokerage firms which are affiliates of the investment adviser. The commissions paid to these affiliated firms were \$171,170 for the period.

Interfund Lending Program. Pursuant to an Exemptive Order issued by the SEC, the fund, along with other registered investment companies having management contracts with FMR, may participate in an interfund lending program. This program provides an alternative credit facility allowing the funds to borrow from, or lend money to, other participating funds. The fund's activity in this program during the period was as follows:

Borrower or Lender	Average Daily Loan Balance	Weighted Average Interest Rate	Interest Earned (included in interest income)	Interest Expense
Borrower	\$ 11,369,500	1.12%	—	\$ 709

5. Committed Line of Credit.

The fund participates with other funds managed by FMR in a \$4.2 billion credit facility (the "line of credit") to be utilized for temporary or emergency purposes to fund shareholder redemptions or for other short-term liquidity purposes. The fund has agreed to pay commitment fees on its pro rata portion of the line of credit. During the period, there were no borrowings on this line of credit.

6. Security Lending.

The fund lends portfolio securities from time to time in order to earn additional income. The fund receives collateral (in the form of U.S. Treasury obligations, letters of credit and/or cash) against the loaned securities and maintains collateral in an amount not less than 100% of the market value of the loaned securities during the period of the loan. The market value of the loaned securities is determined at the close of business of the fund and any additional required collateral is delivered to the fund on the next business day. If the borrower defaults on its obligation to return the securities loaned because of insolvency or other reasons, a fund could experience delays and costs in recovering the securities loaned or in gaining access to the collateral. Cash collateral is invested in cash equivalents. The value of loaned securities and cash collateral at period end are disclosed on the fund's Statement of Assets and Liabilities.

7. Expense Reductions.

Many of the brokers with whom FMR places trades on behalf of the fund provided services to the fund in addition to trade execution. These services included payments of certain expenses on behalf of the fund totaling \$739,274 for the period. In addition, through arrangements with the fund's custodian, credits realized as a result of uninvested cash balances were used to reduce the fund's expenses. During the period, these credits reduced the fund's custody expenses by \$3,283.

8. Other Information

At the end of the period, FMR or its affiliates were the owners of record of 19% of the total outstanding shares of the fund and two otherwise unaffiliated shareholders were the owners of record of 42% of the total outstanding shares of the fund.

Report of Independent Registered Public Accounting Firm

To the Trustees of Variable Insurance Products Fund III and the Shareholders of Mid Cap Portfolio:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Mid Cap Portfolio (a fund of Variable Insurance Products Fund III) at December 31, 2004 and the results of its operations, the changes in its net assets and the financial highlights for the periods indicated, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Mid Cap Portfolio's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2004 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Boston, Massachusetts
February 10, 2005

Trustees and Officers

The Trustees, Member of the Advisory Board, and executive officers of the trust and fund, as applicable, are listed below. The Board of Trustees governs the fund and is responsible for protecting the interests of shareholders. The Trustees are experienced executives who meet periodically throughout the year to oversee the fund's activities, review contractual arrangements with companies that provide services to the fund, and review the fund's performance. Except for William O. McCoy, Dennis J. Dirks, and Kenneth L. Wolfe, each of the Trustees oversees 301 funds advised by FMR or an affiliate. Mr. McCoy oversees 303 funds advised by FMR or an affiliate. Mr. Dirks and Mr. Wolfe oversee 233 funds advised by FMR or an affiliate.

The Trustees hold office without limit in time except that (a) any Trustee may resign; (b) any Trustee may be removed by written instrument, signed by at least two-thirds of the number of Trustees prior to such removal; (c) any Trustee who requests to be retired or who has become incapacitated by illness or injury may be retired by written instrument signed by a majority of the other Trustees; and (d) any Trustee may be removed at any special meeting of shareholders by a two-thirds vote of the outstanding voting securities of the trust. In any event, each non-interested Trustee shall retire not later than the last day of the calendar year in which his or her 72nd birthday occurs. The executive officers and Advisory Board Member hold office without limit in time, except that any officer and Advisory Board Member may resign or may be removed by a vote of a majority of the Trustees at any regular meeting or any special meeting of the Trustees. Except as indicated, each individual has held the office shown or other offices in the same company for the past five years.

The fund's Statement of Additional Information (SAI) includes more information about the Trustees. To request a free copy, call Fidelity at 1-800-544-5429.

Interested Trustees*:

Correspondence intended for each Trustee who is an "interested person" (as defined in the 1940 Act) may be sent to Fidelity Investments, 82 Devonshire Street, Boston, Massachusetts 02109.

Name, Age; Principal Occupation

Edward C. Johnson 3d (74)**

Year of Election or Appointment: 1994

Mr. Johnson is Chairman of the Board of Trustees. Mr. Johnson serves as Chief Executive Officer, Chairman, and a Director of FMR Corp.; a Director and Chairman of the Board and of the Executive Committee of FMR; Chairman and a Director of Fidelity Management & Research (Far East) Inc.; Chairman (1998) and a Director of Fidelity Investments Money Management, Inc.; and Chairman (2001) and a Director (2000) of FMR Co., Inc.

Abigail P. Johnson (43)**

Year of Election or Appointment: 2001

Senior Vice President of VIP Mid Cap (2001). Ms. Johnson also serves as Senior Vice President of other Fidelity funds (2001). She is President and a Director of FMR (2001), Fidelity Investments Money Management, Inc. (2001), FMR Co., Inc. (2001), and a Director of FMR Corp. Previously, Ms. Johnson managed a number of Fidelity funds.

Laura B. Cronin (50)

Year of Election or Appointment: 2003

Ms. Cronin is an Executive Vice President (2002) and Chief Financial Officer (2002) of FMR Corp. and is a member of the Fidelity Management Committee (2003). Previously, Ms. Cronin served as Vice President of Finance of FMR (1997-1999), and Chief Financial Officer of FMR (1999-2001), Fidelity Personal Investments (2001), and Fidelity Brokerage Company (2001-2002).

Robert L. Reynolds (52)

Year of Election or Appointment: 2003

Mr. Reynolds is a Director (2003) and Chief Operating Officer (2002) of FMR Corp. and is the head of the Fidelity Management Committee (2003). He also serves on the Board at Fidelity Investments Canada, Ltd. (2000). Previously, Mr. Reynolds served as President of Fidelity Investments Institutional Retirement Group (1996-2000).

* Trustees have been determined to be "Interested Trustees" by virtue of, among other things, their affiliation with the trust or various entities under common control with FMR.

** Edward C. Johnson 3d, Trustee, is Abigail P. Johnson's father.

Non-Interested Trustees:

Correspondence intended for each non-interested Trustee (that is, the Trustees other than the Interested Trustees) may be sent to Fidelity Investments, P.O. Box 55235, Boston, Massachusetts 02205-5235.

Name, Age; Principal Occupation

Dennis J. Dirks (56)

Year of Election or Appointment: 2005

Mr. Dirks also serves as a Trustee (2005) or Member of the Advisory Board (2004) of other investment companies advised by FMR. Prior to his retirement in May 2003, Mr. Dirks was Chief Operating Officer and a member of the Board of The Depository Trust & Clearing Corporation (DTCC) (1999-2003). He also served as President, Chief Operating Officer, and Board member of The Depository Trust Company (DTC) (1999-2003) and President and Board member of the National Securities Clearing Corporation (NSCC) (1999-2003). In addition, Mr. Dirks served as Chief Executive Officer and Board member of the Government Securities Clearing Corporation (2001-2003) and Chief Executive Officer and Board member of the Mortgage-Backed Securities Clearing Corporation (2001-2003).

Robert M. Gates (61)

Year of Election or Appointment: 1997

Dr. Gates is Vice Chairman of the non-interested Trustees (2005). Dr. Gates is President of Texas A&M University (2002). He was Director of the Central Intelligence Agency (CIA) from 1991 to 1993. From 1989 to 1991, Dr. Gates served as Assistant to the President of the United States and Deputy National Security Advisor. Dr. Gates is a Director of NACCO Industries, Inc. (mining and manufacturing), Parker Drilling Co., Inc. (drilling and rental tools for the energy industry, 2001), and Brinker International (restaurant management, 2003). He also serves as a member of the Advisory Board of VoteHere.net (secure Internet voting, 2001). Previously, Dr. Gates served as a Director of LucasVarity PLC (automotive components and diesel engines), a Director of TRW Inc. (automotive, space, defense, and information technology), and Dean of the George Bush School of Government and Public Service at Texas A&M University (1999-2001). Dr. Gates also is a Trustee of the Forum for International Policy.

George H. Heilmeier (68)

Year of Election or Appointment: 2004

Dr. Heilmeier is Chairman Emeritus of Telcordia Technologies (communication software and systems), where prior to his retirement, he served as company Chairman and Chief Executive Officer. He currently serves on the Boards of Directors of The Mitre Corporation (systems engineering and information technology support for the government), INET Technologies Inc. (telecommunications network surveillance, 2001), Teletech Holdings (customer management services), and HRL Laboratories (private research and development, 2004). He is Chairman of the General Motors Technology Advisory Committee and a Life Fellow of the Institute of Electrical and Electronics Engineers (IEEE) (2000). Dr. Heilmeier is a member of the Defense Science Board and the National Security Agency Advisory Board. He is also a member of the National Academy of Engineering, the American Academy of Arts and Sciences, and the Board of Overseers of the School of Engineering and Applied Science of the University of Pennsylvania. Previously, Dr. Heilmeier served as a Director of TRW Inc. (automotive, space, defense, and information technology, 1992-2002), Compaq (1994-2002), and Automatic Data Processing, Inc. (ADP) (technology-based business outsourcing, 1995-2002).

Marie L. Knowles (58)

Year of Election or Appointment: 2001

Prior to Ms. Knowles' retirement in June 2000, she served as Executive Vice President and Chief Financial Officer of Atlantic Richfield Company (ARCO) (diversified energy, 1996-2000). From 1993 to 1996, she was a Senior Vice President of ARCO and President of ARCO Transportation Company. She served as a Director of ARCO from 1996 to 1998. She currently serves as a Director of Phelps Dodge Corporation (copper mining and manufacturing) and McKesson Corporation (healthcare service, 2002). Ms. Knowles is a Trustee of the Brookings Institution and the Catalina Island Conservancy and also serves as a member of the Advisory Board for the School of Engineering of the University of Southern California.

Ned C. Lautenbach (60)

Year of Election or Appointment: 2000

Mr. Lautenbach has been a partner of Clayton, Dubilier & Rice, Inc. (private equity investment firm) since September 1998. Previously, Mr. Lautenbach was with the International Business Machines Corporation (IBM) from 1968 until his retirement in 1998. He was most recently Senior Vice President and Group Executive of Worldwide Sales and Services. From 1993 to 1995, he was Chairman of IBM World Trade Corporation, and from 1994 to 1998 was a member of IBM's Corporate Executive Committee. Mr. Lautenbach serves as Co-Chairman and a Director of Covansys, Inc. (global provider of business and technology solutions, 2000). In addition, he is a Director of Italtel Holding S.p.A. (telecommunications (Milan, Italy), 2004) and Eaton Corporation (diversified industrial) as well as the Philharmonic Center for the Arts in Naples, Florida (1999). He also is a member of the Council on Foreign Relations.

Trustees and Officers - continued

Name, Age; Principal Occupation

Marvin L. Mann (71)

Year of Election or Appointment: 1994

Mr. Mann is Chairman of the non-interested Trustees (2001). He is Chairman Emeritus of Lexmark International, Inc. (computer peripherals), where he served as CEO until April 1998, retired as Chairman May 1999, and remains a member of the Board. Prior to 1991, he held the positions of Vice President of International Business Machines Corporation (IBM) and President and General Manager of various IBM divisions and subsidiaries. He is a member of the Executive Committee of the Independent Director's Council of the Investment Company Institute. In addition, Mr. Mann is a member of the President's Cabinet at the University of Alabama and the Board of Visitors of the Culverhouse College of Commerce and Business Administration at the University of Alabama.

William O. McCoy (71)

Year of Election or Appointment: 1997

Prior to his retirement in December 1994, Mr. McCoy was Vice Chairman of the Board of BellSouth Corporation (telecommunications) and President of BellSouth Enterprises. He is currently a Director of Liberty Corporation (holding company), Duke Realty Corporation (real estate), and Progress Energy, Inc. (electric utility). He is also a partner of Franklin Street Partners (private investment management firm) and a member of the Research Triangle Foundation Board. In addition, Mr. McCoy served as the Interim Chancellor (1999-2000) and a member of the Board of Visitors (1994-1998) for the University of North Carolina at Chapel Hill and currently serves on the Board of Directors of the University of North Carolina Health Care System and the Board of Visitors of the Kenan-Flagler Business School (University of North Carolina at Chapel Hill). He also served as Vice President of Finance for the University of North Carolina (16-school system, 1995-1998).

Cornelia M. Small (60)

Year of Election or Appointment: 2005

Ms. Small is a member (2000) and Chairperson (2002) of the Investment Committee, and a member (2002) of the Board of Trustees of Smith College. Previously, she served as Chief Investment Officer (1999-2000), Director of Global Equity Investments (1996-1999), and a member of the Board of Directors of Scudder, Stevens & Clark (1990-1997) and Scudder Kemper Investments (1997-1998). In addition, Ms. Small served as Co-Chair (2000-2003) of the Annual Fund for the Fletcher School of Law and Diplomacy.

William S. Stavropoulos (65)

Year of Election or Appointment: 2002

Mr. Stavropoulos is Chairman of the Board (2000), CEO (2002), a position he previously held from 1995-2000, Chairman of the Executive Committee (2000), and a Member of the Board of Directors of The Dow Chemical Company. Since joining The Dow Chemical Company in 1967, Mr. Stavropoulos served in numerous senior management positions, including President (1993-2000; 2002-2003). Currently, he is a Director of NCR Corporation (data warehousing and technology solutions), BellSouth Corporation (telecommunications), Chemical Financial Corporation, and Maersk Inc. (industrial conglomerate, 2002). He also serves as a member of the Board of Trustees of the American Enterprise Institute for Public Policy Research. In addition, Mr. Stavropoulos is a member of The Business Council, J.P. Morgan International Council and the University of Notre Dame Advisory Council for the College of Science.

Kenneth L. Wolfe (65)

Year of Election or Appointment: 2005

Mr. Wolfe also serves as a Trustee (2005) or Member of the Advisory Board (2004) of other investment companies advised by FMR. Prior to his retirement in 2001, Mr. Wolfe was Chairman and Chief Executive Officer of Hershey Foods Corporation (1993-2001). He currently serves as a member of the boards of Adelphia Communications Corporation (2003), Bausch & Lomb, Inc., and Revlon Inc. (2004).

Advisory Board Member and Executive Officers:

Correspondence intended for each executive officer and Mr. Lynch may be sent to Fidelity Investments, 82 Devonshire Street, Boston, Massachusetts 02109.

Name, Age; Principal Occupation

Peter S. Lynch (61)

Year of Election or Appointment: 2003

Member of the Advisory Board of Variable Insurance Products Fund III. Vice Chairman and a Director of FMR, and Vice Chairman (2001) and a Director (2000) of FMR Co., Inc. Previously, Mr. Lynch served as a Trustee of the Fidelity funds (1990-2003). Prior to May 31, 1990, he was a Director of FMR and Executive Vice President of FMR (a position he held until March 31, 1991), Vice President of Fidelity[®] Magellan[®] Fund and FMR Growth Group Leader, and Managing Director of FMR Corp. Mr. Lynch was also Vice President of Fidelity Investments Corporate Services. In addition, he serves as a Trustee of Boston College, Massachusetts Eye & Ear Infirmary, Historic Deerfield, John F. Kennedy Library, and the Museum of Fine Arts of Boston.

John B. McDowell (46)

Year of Election or Appointment: 2002

Vice President of VIP Mid Cap. Mr. McDowell also serves as Vice President of certain Equity Funds (2002). He is Senior Vice President of FMR (1999), FMR Co., Inc. (2001), and Fidelity Management Trust Company (FMTC). Since joining Fidelity Investments in 1985, Mr. McDowell has worked as a research analyst and manager.

Thomas J. Allen (44)

Year of Election or Appointment: 2003

Vice President of VIP Mid Cap. Mr. Allen also serves as Vice President of other funds advised by FMR. Prior to assuming his current responsibilities, Mr. Allen managed a variety of Fidelity funds.

Eric D. Roiter (56)

Year of Election or Appointment: 1998

Secretary of VIP Mid Cap. He also serves as Secretary of other Fidelity funds; Vice President, General Counsel, and Secretary of FMR Co., Inc. (2001-present) and FMR; Vice President and Secretary of FDC; Assistant Secretary of Fidelity Management & Research (U.K.) Inc. (2001-present), Fidelity Management & Research (Far East) Inc. (2001-present), and Fidelity Investments Money Management, Inc. (2001-present). Mr. Roiter is an Adjunct Member, Faculty of Law, at Boston College Law School (2003-present).

Stuart Fross (45)

Year of Election or Appointment: 2003

Assistant Secretary of VIP Mid Cap. Mr. Fross also serves as Assistant Secretary of other Fidelity funds (2003) and is an employee of FMR.

Christine Reynolds (46)

Year of Election or Appointment: 2004

President, Treasurer, and Anti-Money Laundering (AML) officer of VIP Mid Cap. Ms. Reynolds also serves as President, Treasurer, and AML officer of other Fidelity funds (2004) and is a Vice President (2003) and an employee (2002) of FMR. Before joining Fidelity Investments, Ms. Reynolds worked at PricewaterhouseCoopers LLP (PwC) (1980-2002), where she was most recently an audit partner with PwC's investment management practice.

Timothy F. Hayes (54)

Year of Election or Appointment: 2002

Chief Financial Officer of VIP Mid Cap. Mr. Hayes also serves as Chief Financial Officer of other Fidelity funds (2002). Recently he was appointed President of Fidelity Service Company (2003) where he also serves as a Director. Mr. Hayes also serves as President of Fidelity Investments Operations Group (FIOG, 2002), which includes Fidelity Pricing and Cash Management Services Group (FPCMS), where he was appointed President in 1998. Previously, Mr. Hayes served as Chief Financial Officer of Fidelity Investments Corporate Systems and Service Group (1998) and Fidelity Systems Company (1997-1998).

Kenneth A. Rathgeber (57)

Year of Election or Appointment: 2004

Chief Compliance Officer of VIP Mid Cap. Mr. Rathgeber also serves as Chief Compliance Officer of other Fidelity funds (2004) and Executive Vice President of Risk Oversight for Fidelity Investments (2002). Previously, he served as Executive Vice President and Chief Operating Officer for Fidelity Investments Institutional Services Company, Inc. (1998-2002).

Trustees and Officers - continued

Name, Age; Principal Occupation

John R. Hebble (46)

Year of Election or Appointment: 2003

Deputy Treasurer of VIP Mid Cap. Mr. Hebble also serves as Deputy Treasurer of other Fidelity funds (2003), and is an employee of FMR. Before joining Fidelity Investments, Mr. Hebble worked at Deutsche Asset Management where he served as Director of Fund Accounting (2002-2003) and Assistant Treasurer of the Scudder Funds (1998-2003).

Kimberley H. Monasterio (41)

Year of Election or Appointment: 2004

Deputy Treasurer of VIP Mid Cap. Ms. Monasterio also serves as Deputy Treasurer of other Fidelity funds (2004) and is an employee of FMR (2004). Before joining Fidelity Investments, Ms. Monasterio served as Treasurer (2000-2004) and Chief Financial Officer (2002-2004) of the Franklin Templeton Funds and Senior Vice President of Franklin Templeton Services, LLC (2000-2004).

John H. Costello (58)

Year of Election or Appointment: 1998

Assistant Treasurer of VIP Mid Cap. Mr. Costello also serves as Assistant Treasurer of other Fidelity funds and is an employee of FMR.

Peter L. Lydecker (50)

Year of Election or Appointment: 2004

Assistant Treasurer of VIP Mid Cap. Mr. Lydecker also serves as Assistant Treasurer of other Fidelity funds (2004) and is an employee of FMR.

Mark Osterheld (49)

Year of Election or Appointment: 2002

Assistant Treasurer of VIP Mid Cap. Mr. Osterheld also serves as Assistant Treasurer of other Fidelity funds (2002) and is an employee of FMR.

Kenneth B. Robins (35)

Year of Election or Appointment: 2004

Assistant Treasurer of VIP Mid Cap. Mr. Robins also serves as Assistant Treasurer of other Fidelity funds (2004) and is an employee of FMR (2004). Before joining Fidelity Investments, Mr. Robins worked at KPMG LLP, where he was a partner in KPMG's department of professional practice (2002-2004) and a Senior Manager (1999-2000). In addition, Mr. Robins served as Assistant Chief Accountant, United States Securities and Exchange Commission (2000-2002).

Distributions

The Board of Trustees of VIP III: Mid Cap Portfolio voted to pay to shareholders of record at the opening of business on record date, the following distributions per share derived from capital gains realized from sales of portfolio securities.

Fund	Pay Date	Record Date	Capital Gains
Initial Class	2/11/05	2/11/05	\$.51
Service Class	2/11/05	2/11/05	\$.51
Service Class 2	2/11/05	2/11/05	\$.51

Proxy Voting Results

A special meeting of the fund's shareholders was held on December 14, 2004. The results of votes taken among shareholders on proposals before them are reported below. Each vote reported represents one dollar of net asset value held on the record date for the meeting.

PROPOSAL 1

To amend the Declaration of Trust to allow the Board of Trustees, if permitted by applicable law, to authorize fund mergers without shareholder approval.^A

	# of Votes	% of Votes
Affirmative	4,465,365,699.61	80.317
Against	820,718,849.73	14.762
Abstain	273,620,539.56	4.921
TOTAL	5,559,705,088.90	100.000

PROPOSAL 2

To elect a Board of Trustees.^A

	# of Votes	% of Votes
--	---------------	---------------

J. Michael Cook

Affirmative	5,275,527,318.06	94.889
Withheld	284,177,770.84	5.111
TOTAL	5,559,705,088.90	100.000

Ralph F. Cox

Affirmative	5,260,941,793.66	94.626
Withheld	298,763,295.24	5.374
TOTAL	5,559,705,088.90	100.000

Laura B. Cronin

Affirmative	5,275,571,233.79	94.889
Withheld	284,133,855.11	5.111
TOTAL	5,559,705,088.90	100.000

Dennis J. Dirks^B

Affirmative	5,277,234,059.51	94.919
Withheld	282,471,029.39	5.081
TOTAL	5,559,705,088.90	100.000

Robert M. Gates

Affirmative	5,271,693,384.06	94.820
Withheld	288,011,704.84	5.180
TOTAL	5,559,705,088.90	100.000

George H. Heilmeier

Affirmative	5,276,712,546.15	94.910
Withheld	282,992,542.75	5.090
TOTAL	5,559,705,088.90	100.000

Abigail P. Johnson

Affirmative	5,265,412,678.20	94.707
Withheld	294,292,410.70	5.293
TOTAL	5,559,705,088.90	100.000

Edward C. Johnson 3d

Affirmative	5,252,813,997.03	94.480
Withheld	306,891,091.87	5.520
TOTAL	5,559,705,088.90	100.000

Donald J. Kirk

Affirmative	5,268,337,458.03	94.759
Withheld	291,367,630.87	5.241
TOTAL	5,559,705,088.90	100.000

	# of Votes	% of Votes
Marie L. Knowles		
Affirmative	5,278,993,264.93	94.951
Withheld	280,711,823.97	5.049
TOTAL	5,559,705,088.90	100.000

Ned C. Lautenbach

Affirmative	5,280,591,428.18	94.980
Withheld	279,113,660.72	5.020
TOTAL	5,559,705,088.90	100.000

Marvin L. Mann

Affirmative	5,266,769,335.50	94.731
Withheld	292,935,753.40	5.269
TOTAL	5,559,705,088.90	100.000

William O. McCoy

Affirmative	5,270,804,685.62	94.804
Withheld	288,900,403.28	5.196
TOTAL	5,559,705,088.90	100.000

Robert L. Reynolds

Affirmative	5,279,190,479.65	94.955
Withheld	280,514,609.25	5.045
TOTAL	5,559,705,088.90	100.000

Cornelia M. Small^B

Affirmative	5,276,074,654.01	94.898
Withheld	283,630,434.89	5.102
TOTAL	5,559,705,088.90	100.000

William S. Stavropoulos

Affirmative	5,278,183,775.21	94.936
Withheld	281,521,313.69	5.064
TOTAL	5,559,705,088.90	100.000

^A Denotes trust-wide proposals and voting results.

^B Effective January 1, 2005.

Investment Adviser

Fidelity Management & Research Company
Boston, MA

Investment Sub-Advisers

FMR Co., Inc.
Fidelity Management & Research (U.K.) Inc.
Fidelity Management & Research (Far East) Inc.
Fidelity Investments Japan Limited
Fidelity International Investment Advisors
Fidelity International Investment Advisors (U.K.) Limited

General Distributor

Fidelity Distributors Corporation
Boston, MA

Transfer and Shareholder Servicing Agent

Fidelity Investments Institutional Operations Company, Inc.
Boston, MA

Custodian

Brown Brothers Harriman & Co.
Boston, MA

2004 Annual Report

MULTI-STYLE EQUITY FUND

AGGRESSIVE EQUITY FUND

NON-U.S. FUND

REAL ESTATE SECURITIES FUND

CORE BOND FUND

DECEMBER 31, 2004

Russell Investment Funds

Russell Investment Funds is a “series mutual fund” with five different investment portfolios. These financial statements report on the Funds, each of which has distinct investment objectives and strategies.

Frank Russell Investment Management Company

Responsible for overall management and administration of the Funds.

Frank Russell Company

Consultant to Frank Russell Investment Management Company.

Russell Investment Funds

Annual Report

December 31, 2004

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Russell Investment Funds

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To Our Clients:

Thank you for selecting Russell to help provide for your financial security. As you read Russell Investment Funds' 2004 Annual Report, we ask that you take this opportunity to review the value Russell's investment approach provides.

Today, as well as tomorrow, our approach remains consistent. We continue to maintain our long-term focus, strategic diversification, active management, and goal-oriented planning.

In 2005, and beyond, our commitment to you remains the same. Our mutual funds offer the Russell approach to investors of all types. Our purpose is to be one of the reasons that you and your family view the future with confidence.

Thank you for your continued support and for choosing Russell, GLOBAL LEADERS IN MULTI-MANAGER™ INVESTING.

Russell Investment Funds

Market Summary as of December 31, 2004

U.S. Equity Markets

Stock prices were largely unchanged during the first nine months of the year but rose significantly following the election to finish the year with solid gains. The Russell 3000® Index returned 11.95% for the year ended December 31, 2004. Investors remained on the sidelines for much of the year, pending the outcome of the election and waiting for clarity on the direction of oil prices, and the war in Iraq. Economic growth remained impressive and corporate profits rose sharply. Falling oil prices and conclusion of the election led investors to become increasingly confident in the strength of the economy and the outlook for corporate profits. In this environment, investors responded by purchasing stocks.

There were several noteworthy themes to market performance in 2004. Smaller capitalization companies substantially outperformed larger capitalization companies, as measured by the 18.33% return of the Russell 2000® Index versus the 11.41% return for the Russell 1000® Index for the year ended December 31, 2004. Smaller capitalization companies benefited from the continued narrowing of credit spreads in the bond market. Narrower credit spreads allow small capitalization companies to borrow money at more favorable rates than when the credit spreads are greater.

Style also played an important role in equity returns. Value stocks outperformed growth stocks with the Russell 1000® Value Index returning 16.49% versus the 6.30% return of the Russell 1000® Growth Index for the year ended December 31, 2004. The market's preference for value stocks resulted from investor caution throughout the year, declining interest rates and strength in commodities such as oil and metals. This created a favorable environment for utilities, REITs and financial stocks. Meanwhile, growth stocks were hurt by disappointing results from the technology and pharmaceutical sectors.

The year 2004 was challenging for active managers, especially those following core or value investment strategies. The Lipper® Large-Cap Core Funds Average trailed the Russell 1000® Index by 3.59% and the Lipper® Large-Cap Value Funds Average lagged the Russell 1000® Value Index by 4.63%. The market environment was more favorable for active growth strategies, with the Lipper® Large-Cap Growth Funds Average outperforming the Russell 1000® Growth Index by 0.88%. The Lipper returns are net of fees while the index returns are gross of fees.

U.S. Real Estate Markets

The public real estate investment trust (REIT) market continued its strong advance in 2004. The NAREIT Equity REIT Index returned 31.57% for the year. This was the second consecutive year that the Index returned over 30%. Cash flow into REITs from both retail and institutional investors was strong during the year and was driven largely by yield-oriented investors.

The REIT market was subject to higher than normal volatility during 2004. While the performance of the REIT market has not historically been highly correlated to interest rates, the direction and magnitude of long-term interest rate movements contributed to short-term variability in share prices. REIT prices tended to move inversely with interest rates during the year. A sharp increase in long-term interest rates in early-April

Russell Investment Funds

resulted in a correction in the REIT market. However, the REIT market resumed its upward trend in May. This upward trend continued for the balance of the year as long-term interest rates moderated.

Improvements in real estate supply and demand fundamentals resulted in generally higher occupancy rates and rents which contributed to modest growth in REIT earnings. The regional malls sector was the strongest performing property type in 2004. This sector benefited from strong earnings growth supported by positive retail sales and occupancy trends. Other sectors that outperformed the benchmark included shopping centers, industrial, apartments and lodging. The weakest performing sectors were manufactured homes, health care, office and specialty.

The market generally favored larger capitalization REITs during 2004. The NAREIT Real Estate 50, a benchmark of larger and more frequently traded REITs, outperformed the broader NAREIT Equity REIT Index by 3.43%. These larger capitalization companies tend to be favored by active managers due to their liquidity, stronger balance sheets and perceived stronger earnings growth prospects.

Global Equity Markets

Global equity markets made significant gains in 2004 despite an abundance of potentially problematic trends. While market returns were good in absolute terms, the underlying investment environment was characterized by quite narrow leadership. There were several threats to market stability. Negative market sentiment prevailed over much of the year with concerns over terrorism, election-year uncertainty, sporadic indications of both weak and strong economic growth and a rather extreme increase in the price of oil having a strong influence on investors' expectations for market trends. Consequently, the global equity markets favored stocks with more defensive attributes, particularly those with higher dividend yields and highly visible earnings.

Style influences were dominant with value-oriented investment strategies faring well, while growth-oriented investment strategies faced a challenging environment. Non U.S. value stocks, as measured by the MSCI EAFE Value Index, outperformed non U.S. growth stocks as measured by the MSCI EAFE Growth Index by 9.89% over the 12 month period. Smaller capitalization companies continued to perform well. It was a challenging environment for trend following investment strategies given frequent changes in market leadership. These leadership changes were directly tied to sentiment swings in response to economic or geopolitical news rather than to changes in underlying earnings prospects.

Regionally, strong currencies often dominated local market stock performance, making currency strategies just as critical, if not more critical, than stock or country selection. While Pacific market stocks outperformed European counterparts, the gains of the Euro and the British pound resulted in stronger gains to European stocks if measured in local currencies. The MSCI EAFE Index gained 13.09% if measured in local currencies and 20.70% if measured in U.S. dollars with much of the tailwind of foreign currency appreciation occurring in the fourth quarter.

Sector performance paralleled the U.S. market for much of the year. Higher yielding utility stocks were the best performers in the MSCI EAFE Index; with the energy sector a close second. Strong gains to commodity cyclicals, including materials, were another noteworthy trend for most of the year. Trends changed in the fourth quarter as falling energy prices and slower economic activity slowed growth in the cyclical sectors. At this point, telecommunications and financial services stocks assumed market leadership.

U.S. Fixed Income Markets

Over the year, interest rates were volatile as bond markets reacted to erratic employment numbers, election uncertainties, commodity price increases, geopolitical risk in Iraq and a generally mixed economy that provided no clear direction on where rates were headed. The ten year Treasury bond started and ended the

Russell Investment Funds

year with virtually the same yield, but its yield ranged widely over the course of the year. Yields on the ten year Treasury bond started the year at 4.25%, moved lower in the first quarter in response to weaker payroll numbers and reached its lowest point of 3.68% in March. Yields on the ten year Treasury bond reversed in April, May and June on news of stronger payrolls, resulting in a peak in yields of 4.87%. Over the second half of the year, yields on the ten year Treasury bond were more stable but steadily declined to end at 4.22%.

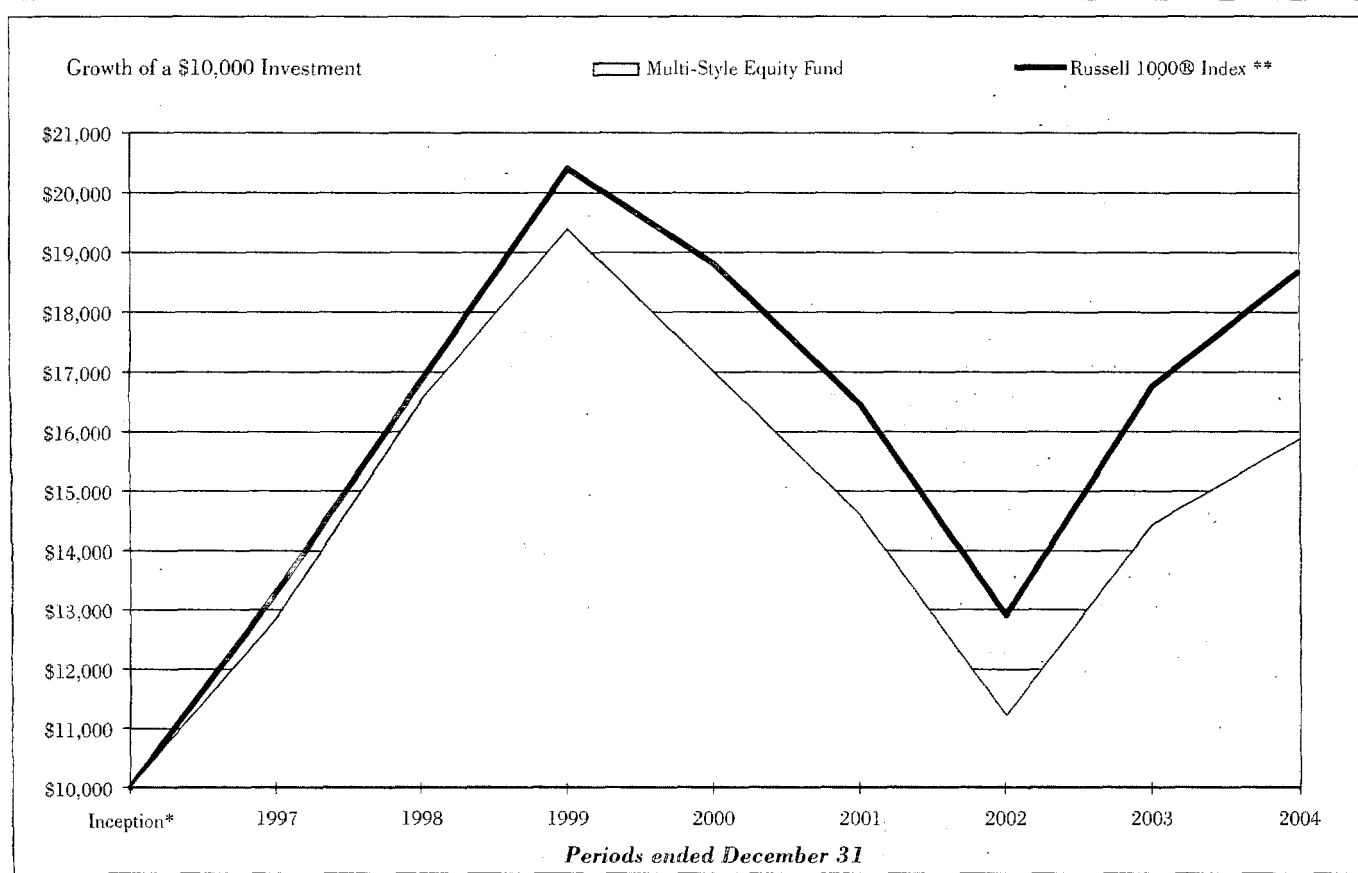
Short term interest rates moved over the year in response to the tightening cycle initiated by the Federal Reserve. After cutting the overnight federal funds rate aggressively from 6.50% in 2001 to 1.00% in 2003, in 2004, the Federal Reserve reversed course and began raising the federal funds overnight rate in June. At the end of the year, overnight rates had moved up from 1.00% to 2.25% and the market, as represented by trading in futures contracts, anticipated further increases in the overnight rate by the Federal Reserve in 2005.

Intermediate and long term interest rates were nearly flat over the year and, with short term rates increasing, the yield curve flattened from a historically steep level.

Within sectors, riskier bonds outperformed as a result of better fundamentals and large investor appetite for yield. Despite a 28% return in the high yield bond sector in 2003, the high yield sector also delivered good results in 2004 as defaults declined due to better economic growth which allowed companies to pay down debt. The high yield bond sector, as represented by the Lehman Brothers U.S. Corporate High Yield Index, returned 11.13% over the year, which compared to Treasuries returning 3.5% over the year, as represented by the Lehman U.S. Treasury Index. Investment grade corporate bonds also did well as a result of the same factors driving the high yield market. For the year, the Lehman U.S. Credit Index returned 5.5%. Mortgages performed well over the year despite volatility, returning 4.7%, as represented by the MBS fixed rate component of the Lehman U.S. Aggregate Index, and outperformed equivalent duration Treasuries by 1.42%. As the year ended, the yield spreads between Treasuries, corporates and mortgages were tight, reflecting an improving economy and large market demand for yield.

Russell Investment Funds Multi-Style Equity Fund

Portfolio Management Discussion — December 31, 2004 (Unaudited)



Multi-Style Equity Fund

Periods Ended 12/31/04	Growth of \$10,000	Total Return
1 Year	\$ 10,981	9.81 %
5 Years	\$ 8,181	(3.93)%§
Inception	\$ 15,858	5.93 %§

Russell 1000® Index

Periods Ended 12/31/04	Growth of \$10,000	Total Return
1 Year	\$ 11,140	11.41 %
5 Years	\$ 9,153	(1.76)%§
Inception	\$ 18,675	8.12 %§

Russell Investment Funds

Multi-Style Equity Fund

Portfolio Management Discussion, continued — December 31, 2004 (Unaudited)

What is the Fund's investment objective?

The Fund seeks to provide long term capital growth.

How did the Fund perform relative to its benchmark for the fiscal year ended December 31, 2004?

For the fiscal year ended December 31, 2004, the Multi-Style Equity Fund gained 9.81%. This compared to the Russell 1000® Index, which gained 11.41% during the same period. The Fund's performance is net of operating expenses of 0.87%. Index returns do not reflect deduction for fees or expenses. Index returns do not include fair valuation adjustments which may be included in fund returns.

How did the market conditions, as described starting on page 4 of this report, affect the Fund's performance?

Market conditions were unfavorable to the Fund's positioning for most of the year. The market was led by defensive, lower risk stocks while Fund positioning reflected an optimistic view of the market and economy. The Fund was invested in companies with above-market forecasted growth rates while the market favored value-oriented companies. The market environment did not favor active core and value managers.

What were the primary contributors and detractors to the Fund's performance during the last 12 months?

The Fund's emphasis on companies with above-average growth and earnings cyclicity contributed to underperformance. Money managers were optimistic toward the economy and positioned their portfolios accordingly. Below-average performance from Brandywine Asset Management (due to aggressive positioning in a defensive market) and Montag & Caldwell (due to weakness in the health care and consumer staples sectors) also contributed negatively to Fund performance. Finally, stock selection was below expectations in the period due to factors such as underweighting Exxon Mobil and AT&T Wireless and overweighting Boston Scientific, Pfizer, Amgen, Cisco, and Paychex.

Fund performance benefited from favorable sector positioning due to an underweight in the technology sector and an overweight in the materials and consumer discretionary sectors.

An overweight to stocks with low price/book ratios also contributed positively to performance as depressed industrial

cyclical stocks performed strongly in the period. An overweight to agriculture stocks (e.g. Archer Daniels Midland and Monsanto) and to Verisign, Ebay, Tyco, Qualcomm and Marriott helped performance.

How did the investment strategies and techniques employed by the Fund and its money managers affect its performance?

The largest factor contributing to relative underperformance was positioning for continued economic growth and rising stock prices. The Fund was situated contrary to market leadership. The market favored high yield and defensive stocks and penalized stocks with above-average growth prospects. Although sector allocations added value, stock selection detracted from performance due to the emphasis on undervalued growth stocks.

Describe any changes to the Fund's structure or the money manager line-up.

Barclays Global Investors, a structured value manager, was replaced with two more concentrated value managers, Institutional Capital Corporation and DePrince, Race & Zollo. This change is intended to increase stock-specific risk (i.e., concentration) in the Fund. Additionally, Turner's growth assignment was broadened to include medium capitalization stocks. Finally, Brandywine Asset Management was terminated.

Money Managers as of December 31, 2004

	Styles
Alliance Capital Management L.P., which acts as money manager to the Fund through its Bernstein Investment Research and Management Unit	Value
Ark Asset Management Co., Inc.	Growth
DePrince, Race & Zollo, Inc.	Value
Institutional Capital Corporation	Value
Jacobs Levy Equity Management, Inc.	Market-Oriented
Montag & Caldwell, Inc.	Growth
Turner Investment Partners, Inc.	Growth

* The Fund commenced operations on January 2, 1997. Index comparison began January 1, 1997.

** Russell 1000® Index includes the 1,000 largest companies in the Russell 3000® Index. The Russell 1000® Index represents the universe of stocks from which most active money managers typically select. The Russell 1000® Index return reflects adjustments for income dividends and capital gains distributions reinvested as of the ex-dividend dates.

§ Annualized.

Performance is historical and assumes reinvestment of all dividends and capital gains. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than when purchased. Past performance is not indicative of future results.

Russell Investment Funds

Multi-Style Equity Fund

Shareholder Expense Example — December 31, 2004 (Unaudited)

Fund Expenses

The following disclosure provides important information regarding each Fund's Expense Example, which appears on each Fund's individual page in this Annual Report. Please refer to this information when reviewing the Expense Example for a Fund.

Example

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, and (2) ongoing costs, including management fees; and other Fund expenses. The 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 period and held for the entire period indicated, which for this Fund is from July 1, 2004 to December 31, 2004.

Actual Expenses

The information in the table under the heading "Actual Performance" provides information about actual account values and actual expenses. You may use the information in this column, 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 first column in the row entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The information in the table under the heading "Hypothetical Performance (5% return before expenses)" 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 other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs. Therefore, the information under the heading "Hypothetical Performance (5% return before expenses)" is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	<u>Actual Performance</u>	<u>Hypothetical Performance (5% return before expenses)</u>
Beginning Account Value		
July 1, 2004	\$ 1,000.00	\$ 1,000.00
Ending Account Value		
December 31, 2004	\$ 1,065.60	\$ 1,020.63
Expenses Paid During Period*	\$ 4.52	\$ 4.42

* Expenses are equal to the Fund's annualized expense ratio of 0.87%, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period). Reflects amounts waived and/or reimbursed by the investment adviser. Without the waiver and/or reimbursement, expenses would have been higher.

Russell Investment Funds

Multi-Style Equity Fund

Schedule of Investments — December 31, 2004

Amounts in thousands (except share amounts)

	Principal Amount (\$) or Shares	Market Value \$		Principal Amount (\$) or Shares	Market Value \$
Common Stocks - 95.6%					
Auto and Transportation - 2.2%					
American Axle & Manufacturing Holdings, Inc.	5,300	163	Fox Entertainment Group, Inc. Class A (Æ)	12,700	397
BorgWarner, Inc.	2,600	141	Gannett Co., Inc.	4,600	376
Burlington Northern Santa Fe Corp.	3,300	156	Gillette Co. (The)	44,800	2,006
CSX Corp.	14,850	595	Google, Inc. Class A (Æ)	4,970	960
Dana Corp.	5,000	87	GTECH Holdings Corp.	7,600	197
Delphi Corp.	22,700	205	Guitar Center, Inc. (Æ)	600	32
FedEx Corp.	1,200	118	Harrah's Entertainment, Inc.	1,800	120
Ford Motor Co.	24,400	357	Hilton Hotels Corp.	11,700	266
General Motors Corp. (N)	10,600	425	Home Depot, Inc.	59,300	2,534
Gentex Corp.	10,800	400	International Game Technology	36,570	1,257
Magna International, Inc. Class A	1,200	99	Interpublic Group of Cos., Inc. (Æ)	7,000	94
Norfolk Southern Corp.	7,800	282	JC Penney Co., Inc. Holding Co.	14,900	617
Oshkosh Truck Corp.	3,700	253	Jones Apparel Group, Inc.	5,950	218
Overseas Shipholding Group	1,500	83	Kimberly-Clark Corp.	27,900	1,836
Skywest, Inc.	2,700	54	Knight-Ridder, Inc.	10,200	683
Southwest Airlines Co.	58,800	957	Kohl's Corp. (Æ)	28,700	1,411
United Parcel Service, Inc. Class B	29,900	2,555	Limited Brands, Inc.	12,000	276
Westinghouse Air Brake Technologies Corp.	10,800	230	Lowe's Cos., Inc.	27,400	1,578
		<u>7,160</u>	Manpower, Inc.	3,600	174
			Marriott International, Inc. Class A	29,710	1,871
			Mattel, Inc.	26,700	520
			May Department Stores Co. (The)	24,000	706
			Maytag Corp.	2,000	42
			McDonald's Corp.	55,100	1,767
Consumer Discretionary - 15.7%			Newell Rubbermaid, Inc.	43,200	1,045
Advance Auto Parts (Æ)	3,700	162	News Corp. Class B	40,800	783
Bebe Stores, Inc.	1,950	53	Nordstrom, Inc.	4,400	206
Bed Bath & Beyond, Inc. (Æ)	27,600	1,099	Office Depot, Inc. (Æ)	13,000	226
Best Buy Co., Inc.	7,800	463	OfficeMax, Inc.	6,050	190
Brink's Co. (The)	2,100	83	Omnicom Group	12,100	1,020
CDW Corp.	9,200	610	Overstock.com, Inc. (Æ)	800	55
Cendant Corp.	122,300	2,859	Petco Animal Supplies, Inc. (Æ)	2,200	87
Charming Shoppes (Æ)	4,700	44	Priceline.com, Inc. (Æ)(N)	11,000	260
Chico's FAS, Inc. (Æ)	13,300	606	RadioShack Corp.	8,900	293
Circuit City Stores, Inc.	24,500	383	Reebok International, Ltd.	800	35
Coach, Inc. (Æ)	20,800	1,173	RR Donnelley & Sons Co.	45,650	1,611
Convergys Corp. (Æ)	3,000	45	Sears Roebuck and Co.	2,600	133
Darden Restaurants, Inc.	8,000	222	Service Corp. International (Æ)	4,600	34
Dollar General Corp.	12,100	251	Sotheby's Holdings Class A (Æ)	1,900	35
DreamWorks Animation SKG, Inc. Class A (Æ)	21,780	817	Sports Authority, Inc. (The) (Æ)	8,700	224
Eastman Kodak Co.	19,000	613	Stanley Works (The)	1,000	49
eBay, Inc. (Æ)	18,910	2,199	Staples, Inc.	31,600	1,065
Education Management Corp. (Æ)	3,200	106	Starbucks Corp. (Æ)	7,950	496
Electronic Arts, Inc. (Æ)	7,000	432	Starwood Hotels & Resorts Worldwide, Inc. (ö)	20,700	1,209
Fisher Scientific International (Æ)	10,720	669	Tech Data Corp. (Æ)	3,000	136
Fossil, Inc. (Æ)	1,800	46	Time Warner, Inc. (Æ)	82,250	1,599
			TJX Cos., Inc.	14,900	374

Russell Investment Funds

Multi-Style Equity Fund

Schedule of Investments, continued — December 31, 2004

Amounts in thousands (except share amounts)

	Principal Amount (\$) or Shares	Market Value \$		Principal Amount (\$) or Shares	Market Value \$
VeriSign, Inc. (Æ)	46,010	1,542	Allmerica Financial Corp. (Æ)	1,700	56
VF Corp.	3,400	188	Allstate Corp. (The)	9,200	476
Viacom, Inc. Class B	8,882	323	American Express Co.	50,710	2,859
Viad Corp.	325	9	American Home Mortgage Investment Corp. (ö)	700	24
Wal-Mart Stores, Inc.	33,800	1,785	American International Group, Inc.	72,389	4,754
Walt Disney Co.	39,400	1,095	AmeriCredit Corp. (Æ)	11,600	284
WESCO International, Inc. (Æ)	900	27	Ameritrade Holding Corp. (Æ)	20,000	284
Wynn Resorts, Ltd. (Æ)(Ñ)	6,000	402	Archstone-Smith Trust (ö)	1,400	54
XM Satellite Radio Holdings, Inc. Class A (Æ)(Ñ)	12,700	478	Astoria Financial Corp.	3,700	148
Yahoo!, Inc. (Æ)	48,230	1,817	Automatic Data Processing, Inc.	11,400	506
Yankee Candle Co., Inc. (Æ)	2,000	66	Bank of America Corp.	121,558	5,712
Yum! Brands, Inc.	12,800	604	Bank of New York Co., Inc. (The)	28,700	959
		<u>52,374</u>	BB&T Corp.	1,000	42
Consumer Staples - 7.9%			Capital One Financial Corp.	17,700	1,490
Albertson's, Inc.	2,500	60	Checkfree Corp. (Æ)	23,200	883
Altria Group, Inc.	59,800	3,654	Chubb Corp.	3,800	292
Anheuser-Busch Cos., Inc.	6,600	335	Cigna Corp.	10,000	816
Campbell Soup Co.	27,800	831	Citigroup, Inc.	145,549	7,013
Coca-Cola Co. (The)	17,000	708	Comerica, Inc.	14,100	860
Coca-Cola Enterprises, Inc.	6,900	144	Commerce Bancshares, Inc.	11,495	577
Colgate-Palmolive Co.	53,300	2,727	Countrywide Financial Corp.	5,900	218
ConAgra Foods, Inc.	23,500	692	Deluxe Corp.	2,700	101
CVS Corp.	5,100	230	Dow Jones & Co., Inc.	17,600	758
Del Monte Foods Co. (Æ)	18,500	204	East-West Bancorp, Inc.	1,800	76
General Mills, Inc.	17,600	875	eFunds Corp. (Æ)	1,300	31
HJ Heinz Co.	24,300	947	Equity Office Properties Trust (ö)	11,200	326
JM Smucker Co. (The)	9,300	438	Equity Residential (ö)	6,800	246
Kraft Foods, Inc. Class A	22,200	790	Fannie Mae	6,200	441
Kroger Co. (The) (Æ)	18,200	319	Federated Investors, Inc. Class B	3,100	94
PepsiCo, Inc.	84,150	4,393	First American Corp.	3,200	112
Procter & Gamble Co.	89,150	4,910	First Bancorp	500	32
Reynolds American, Inc.	4,250	334	Freddie Mac	11,600	855
Safeway, Inc. (Æ)	22,900	452	Genworth Financial, Inc. Class A	6,000	162
Sara Lee Corp.	37,500	905	Goldman Sachs Group, Inc.	23,410	2,436
Supervalu, Inc.	1,700	59	Hartford Financial Services Group, Inc.	6,700	464
Sysco Corp.	8,820	337	Huntington Bancshares, Inc.	40,200	996
Unilever NV	14,100	940	Jefferson-Pilot Corp.	12,600	655
UST, Inc.	5,700	274	JPMorgan Chase & Co.	105,052	4,098
Whole Foods Market, Inc.	5,970	569	Keycorp	23,100	783
WM Wrigley Jr Co.	2,300	159	La Quinta Corp. (Æ)(ö)	3,300	30
		<u>26,286</u>	LandAmerica Financial Group, Inc.	1,000	54
Financial Services - 18.6%			Legg Mason, Inc.	4,500	330
ACE, Ltd.	2,200	94	Lehman Brothers Holdings, Inc.	7,400	647
AG Edwards, Inc.	20,400	881	Lincoln National Corp.	4,400	205
Alliance Data Systems Corp. (Æ)	13,700	650	Manulife Financial Corp.	2,619	121
			MBIA, Inc.	1,500	95
			MBNA Corp.	26,100	736

Russell Investment Funds

Multi-Style Equity Fund

Schedule of Investments, continued — December 31, 2004

Amounts in thousands (except share amounts)

	Principal Amount (\$) or Shares	Market Value \$		Principal Amount (\$) or Shares	Market Value \$
Merrill Lynch & Co., Inc.	18,050	1,079	Eyetechn Pharmaceuticals, Inc. (Æ)	6,400	291
Metlife, Inc.	3,200	130	Genentech, Inc. (Æ)	36,700	1,998
MGIC Investment Corp.	3,650	252	Gilead Sciences, Inc. (Æ)	38,600	1,351
Morgan Stanley	18,700	1,038	GlaxoSmithKline PLC - ADR	23,800	1,128
National City Corp.	12,700	477	HCA Inc.	7,600	304
Nationwide Financial Services	17,200	658	Humana, Inc. (Æ)	7,000	208
Nationwide Health Properties, Inc. (8)	2,000	47	ImClone Systems, Inc. (Æ)	4,700	217
Northern Trust Corp.	15,700	763	IVAX Corp. (Æ)	11,250	178
PartnerRe, Ltd.	2,000	124	Johnson & Johnson	107,940	6,846
Paychex, Inc.	40,000	1,363	Kinetic Concepts, Inc. (Æ)	6,300	481
PNC Financial Services Group, Inc.	16,700	959	Kos Pharmaceuticals, Inc. (Æ)	800	30
Prudential Financial, Inc.	9,700	533	Magellan Health Services, Inc. (Æ)	700	24
RenaissanceRe Holdings, Ltd.	2,300	120	McKesson Corp.	4,100	129
St. Paul Travelers Cos., Inc. (The)	75,799	2,810	Medco Health Solutions, Inc. (Æ)	25,900	1,077
SunTrust Banks, Inc.	17,100	1,263	Medicines Co. (Æ)	1,900	55
T Rowe Price Group, Inc.	11,200	697	Medtronic, Inc.	25,900	1,286
Torchmark Corp.	4,200	240	Merck & Co., Inc.	9,100	293
US Bancorp	11,196	351	MGI Pharma, Inc. (Æ)	1,800	50
Wachovia Corp.	13,100	689	Millennium Pharmaceuticals, Inc. (Æ)	7,000	85
Waddell & Reed Financial, Inc.			Onyx Pharmaceuticals, Inc. (Æ)	1,500	49
Class A	18,700	447	OSI Pharmaceuticals, Inc. (Æ)	600	45
Washington Mutual, Inc.	35,300	1,492	Pfizer, Inc.	158,110	4,252
Wells Fargo & Co.	12,500	777	Pharmion Corp. (Æ)	900	38
XL Capital, Ltd. Class A	1,600	124	Renal Care Group, Inc. (Æ)	1,300	47
Zions Bancorp.	11,600	789	Sanofi-Aventis - ADR	31,688	1,269
		<u>62,038</u>	Schering-Plough Corp.	40,700	850
			Sepracor, Inc. (Æ)	1,800	107
Health Care - 13.2%			St. Jude Medical, Inc. (Æ)	28,900	1,212
Abbott Laboratories	19,100	891	Stryker Corp.	9,100	439
Abgenix, Inc. (Æ)	3,400	35	Tenet Healthcare Corp. (Æ)	6,402	70
Accredo Health, Inc. (Æ)	3,800	105	United Therapeutics Corp. (Æ)	1,000	45
Aetna, Inc.	9,430	1,176	UnitedHealth Group, Inc.	4,600	405
Amgen, Inc. (Æ)	50,790	3,258	Valeant Pharmaceuticals International	10,500	277
Amylin Pharmaceuticals, Inc. (Æ)	10,700	250	Varian Medical Systems, Inc. (Æ)	7,400	320
Applera Corp. - Celera Genomics Group (Æ)	1,800	25	WellPoint, Inc. (Æ)	11,110	1,278
Biogen Idec, Inc. (Æ)	13,050	869	Wyeth	25,100	1,069
Boston Scientific Corp. (Æ)	40,400	1,436	Zimmer Holdings, Inc. (Æ)	16,890	1,353
Bristol-Myers Squibb Co.	19,900	510			<u>43,816</u>
Cardinal Health, Inc.	7,500	436	Integrated Oils - 4.3%		
Caremark Rx, Inc. (Æ)	59,960	2,364	Amerada Hess Corp.	2,950	243
Community Health Systems, Inc. (Æ)	4,500	125	ChevronTexaco Corp.	25,822	1,356
Cooper Cos., Inc.	5,910	417	ConocoPhillips	59,502	5,167
CR Bard, Inc.	10,430	667	Exxon Mobil Corp.	66,700	3,419
DaVita, Inc. (Æ)	4,400	174	Marathon Oil Corp.	65,502	2,464
Eli Lilly & Co.	33,400	1,895	Occidental Petroleum Corp.	27,200	1,587
Endo Pharmaceuticals Holdings, Inc. (Æ)	1,300	27	Unocal Corp.	4,300	186
					<u>14,422</u>

Russell Investment Funds

Multi-Style Equity Fund

Schedule of Investments, continued — December 31, 2004

Amounts in thousands (except share amounts)

	Principal Amount (\$) or Shares	Market Value \$		Principal Amount (\$) or Shares	Market Value \$
Materials and Processing - 5.2%			Miscellaneous - 4.3%		
Alcoa, Inc.	27,000	848	3M Co.	13,100	1,075
American Standard Cos., Inc. (Æ)	10,000	413	Eaton Corp.	4,350	315
Archer-Daniels-Midland Co.	99,486	2,220	Fortune Brands, Inc.	1,600	123
Ashland, Inc.	2,600	152	General Electric Co.	221,120	8,071
Avery Dennison Corp.	12,300	738	Hillenbrand Industries, Inc.	6,600	367
Bemis Co.	29,100	847	Honeywell International, Inc.	54,400	1,926
Bowater, Inc.	17,200	756	ITT Industries, Inc.	2,900	245
Bunge, Ltd.	2,100	120	SPX Corp.	2,900	116
Cia Vale do Rio Doce Class A	14,400	409	Teleflex, Inc.	5,700	296
Dow Chemical Co. (The)	21,700	1,074	Textron, Inc.	3,400	251
Dycom Industries, Inc. (Æ)	11,900	363	Trinity Industries, Inc.	1,200	41
Eastman Chemical Co.	3,000	173	Tyco International, Ltd.	43,920	1,570
Ecolab, Inc.	10,100	355			<u>14,396</u>
El Du Pont de Nemours & Co.	21,934	1,076			
FMC Corp. (Æ)	2,300	111	Other Energy - 1.5%		
Freeport-McMoRan Copper & Gold, Inc. Class B	31,200	1,193	Anadarko Petroleum Corp.	1,700	110
Georgia-Pacific Corp.	1,400	52	Apache Corp.	15,850	802
Hecla Mining Co. (Æ)	6,200	36	Arch Coal, Inc.	1,000	36
Hercules, Inc. (Æ)	3,600	53	Burlington Resources, Inc.	12,600	548
Human Genome Sciences, Inc. (Æ)	4,900	59	Consol Energy, Inc.	2,800	115
International Paper Co.	48,250	2,027	El Paso Corp.	24,600	256
Lennar Corp. Class B	900	47	EOG Resources, Inc.	7,400	528
Louisiana-Pacific Corp.	7,300	195	Global Industries, Ltd. (Æ)	2,700	22
Lubrizol Corp.	3,800	140	Houston Exploration Co. (Æ)	1,800	101
Lyondell Chemical Co.	16,160	467	Newfield Exploration Co. (Æ)	3,800	224
Martin Marietta Materials, Inc.	2,000	107	Oil States International, Inc. (Æ)	1,700	33
Masco Corp.	19,800	723	Peabody Energy Corp.	4,110	333
Maverick Tube Corp. (Æ)	2,600	79	Rowan Cos., Inc. (Æ)	400	10
Monsanto Co.	16,000	889	Schlumberger, Ltd.	27,400	1,834
Neenah Paper, Inc.	203	7	Universal Compression Holdings, Inc. (Æ)	1,000	35
Nektar Therapeutics (Æ)	2,100	43			<u>4,987</u>
PPG Industries, Inc.	1,900	130	Producer Durables - 4.0%		
Rohm & Haas Co.	14,600	646	Applied Materials, Inc. (Æ)	42,530	727
Sherwin-Williams Co. (The)	1,300	58	Boeing Co.	13,000	673
Smurfit-Stone Container Corp. (Æ)	8,900	166	Caterpillar, Inc.	28,230	2,753
Sonoco Products Co.	4,700	139	Centex Corp.	4,200	250
Stillwater Mining Co. (Æ)	2,400	27	Danaher Corp.	7,210	414
Telik, Inc. (Æ)	2,100	40	Deere & Co.	28,300	2,106
Temple-Inland, Inc.	1,100	75	DR Horton, Inc.	8,100	326
United States Steel Corp.	4,800	246	Emerson Electric Co.	10,900	764
URS Corp. (Æ)	800	26	Goodrich Corp.	4,750	155
Vertex Pharmaceuticals, Inc. (Æ)	2,200	23	Hubbell, Inc. Class B	2,600	136
Vulcan Materials Co.	1,300	71	Illinois Tool Works, Inc.	9,700	899
		<u>17,419</u>	KB Home	400	42

Russell Investment Funds

Multi-Style Equity Fund

Schedule of Investments, continued — December 31, 2004

Amounts in thousands (except share amounts)

	Principal Amount (\$) or Shares	Market Value \$		Principal Amount (\$) or Shares	Market Value \$
Kla-Tencor Corp. (Æ)	8,750	408	Lucent Technologies, Inc. (Æ)	24,600	92
Koninklijke Philips Electronics NV	47,850	1,268	Macromedia, Inc. (Æ)	13,700	426
Lockheed Martin Corp.	1,900	106	Marvell Technology Group, Ltd. (Æ)	17,950	637
Nortel Networks Corp. (Æ)	15,500	54	Maxim Integrated Products, Inc.	24,100	1,022
Northrop Grumman Corp.	9,400	511	McData Corp. Class A (Æ)	5,000	30
Parker Hannifin Corp.	700	53	MEMC Electronic Materials, Inc. (Æ)	3,300	44
Pitney Bowes, Inc.	2,400	111	Micros Systems, Inc. (Æ)	500	39
Powerwave Technologies, Inc. (Æ)	5,700	48	Microsoft Corp.	237,170	6,335
Pulte Homes, Inc.	5,600	357	Motorola, Inc.	91,700	1,577
United Defense Industries, Inc. (Æ)	2,000	94	National Semiconductor Corp.	43,800	786
United Technologies Corp.	3,500	362	NAVTEQ Corp. (Æ)	6,200	287
Waters Corp. (Æ)	12,310	576	Nvidia Corp. (Æ)	17,000	400
		<u>13,193</u>	Oracle Corp. (Æ)	134,500	1,845
			PMC-Sierra, Inc. (Æ)	32,800	369
			Qualcomm, Inc.	52,100	2,209
Technology - 12.6%			Research In Motion, Ltd. (Æ)	5,310	438
Adaptec, Inc. (Æ)	4,400	33	Rockwell Automation, Inc.	13,080	648
ADC Telecommunications, Inc. (Æ)	40,900	110	Sanmina-SCI Corp. (Æ)	86,410	732
Advanced Micro Devices, Inc. (Æ)	19,000	418	Seagate Technology	15,300	264
Agere Systems, Inc. Class A (Æ)	65,000	89	Seagate Technology, Inc. (Æ)	2,300	—
Altera Corp. (Æ)	23,900	495	Sigmatel, Inc. (Æ)	3,200	114
Anteon International Corp. (Æ)	1,400	59	Silicon Laboratories, Inc. (Æ)	6,000	212
Apple Computer, Inc. (Æ)	13,010	838	Skyworks Solutions, Inc. (Æ)	22,100	208
Applied Micro Circuits Corp. (Æ)	19,900	84	Solectron Corp. (Æ)	26,500	141
Ariba, Inc. (Æ)	2,300	38	Sun Microsystems, Inc. (Æ)	168,100	904
Arrow Electronics, Inc. (Æ)	2,400	58	Tellabs, Inc. (Æ)	4,000	34
Avaya, Inc. (Æ)	9,300	160	Tessera Technologies, Inc. (Æ)	3,000	112
Avnet, Inc. (Æ)	8,600	157	Texas Instruments, Inc.	82,280	2,026
BMC Software, Inc. (Æ)	3,800	71	Western Digital Corp. (Æ)	10,200	111
Broadcom Corp. Class A (Æ)	15,200	491	Xilinx, Inc.	22,790	676
Celestica, Inc. (Æ)	2,800	39	Zebra Technologies Corp. Class A (Æ)	2,200	124
Cisco Systems, Inc. (Æ)	174,280	3,364			<u>41,780</u>
Converse Technology, Inc. (Æ)	33,920	829			
CSG Systems International (Æ)	1,800	34	Utilities - 6.1%		
Dell, Inc. (Æ)	79,610	3,355	Alltel Corp.	14,500	852
DRS Technologies, Inc. (Æ)	1,300	55	American Electric Power Co., Inc.	8,100	278
Electronic Data Systems Corp.	4,100	95	AT&T Corp.	25,000	476
EMC Corp. (Æ)	73,650	1,095	BellSouth Corp.	87,250	2,425
Flextronics International, Ltd. (Æ)	6,800	94	Citizens Communications Co.	34,300	473
Freescale Semiconductor, Inc.			CMS Energy Corp. (Æ)	3,600	38
Class B (Æ)	56,936	1,045	Comcast Corp. (Æ)		
Gateway, Inc. (Æ)	10,700	64	Class A (Æ)	111,005	3,694
General Dynamics Corp.	600	63	Special Class A (Æ)	5,000	164
Hewlett-Packard Co.	32,181	675	Consolidated Edison, Inc.	4,200	184
Ingram Micro, Inc. Class A (Æ)	7,100	148	Dominion Resources, Inc.	35,350	2,395
Integrated Device Technology, Inc. (Æ)	4,200	49	DTE Energy Co.	2,200	95
International Business Machines Corp.	27,950	2,755	Edison International	4,200	134
JDS Uniphase Corp. (Æ)	72,200	229	Entergy Corp.	22,650	1,531
Juniper Networks, Inc. (Æ)	68,000	1,849			

Russell Investment Funds

Multi-Style Equity Fund

Schedule of Investments, continued — December 31, 2004

Amounts in thousands (except share amounts)

	Principal Amount (\$) or Shares	Market Value \$
Exelon Corp.	3,200	141
FirstEnergy Corp.	6,400	253
FPL Group, Inc.	800	60
Level 3 Communications, Inc. (Æ)	8,600	29
MCI, Inc.	5,500	111
NiSource, Inc.	21,300	485
Northeast Utilities	7,200	136
Pepco Holdings, Inc.	6,900	147
PPL Corp.	14,900	794
Progress Energy, Inc.	3,800	113
Public Service Enterprise Group, Inc.	5,100	264
Puget Energy, Inc.	17,400	430
SBC Communications, Inc.	67,800	1,747
Sempra Energy	7,000	257
Sprint Corp.	7,100	176
TXU Corp.	2,600	168
Verizon Communications, Inc.	56,500	2,289
		<u>20,339</u>
Total Common Stocks (cost \$274,333)		<u>318,210</u>
Short-Term Investments - 4.3%		
Frank Russell Investment Company Money Market Fund	12,947,000	12,947
United States Treasury Bill (z)(\$) 1.840% due 03/17/05	1,300	1,292
Total Short-Term Investments (cost \$14,241)		<u>14,239</u>
Other Securities - 0.3%		
State Street Securities Lending Quality Trust (x)	889,250	889
Total Other Securities (cost \$889)		<u>889</u>
Total Investments - 100.2% (identified cost \$289,463)		333,338
Other Assets and Liabilities, Net - (0.2%)		<u>(579)</u>
Net Assets - 100.0%		<u><u>332,759</u></u>

See accompanying notes which are an integral part of the financial statements.

Russell Investment Funds

Multi-Style Equity Fund

Schedule of Investments, continued — December 31, 2004

Amounts in thousands

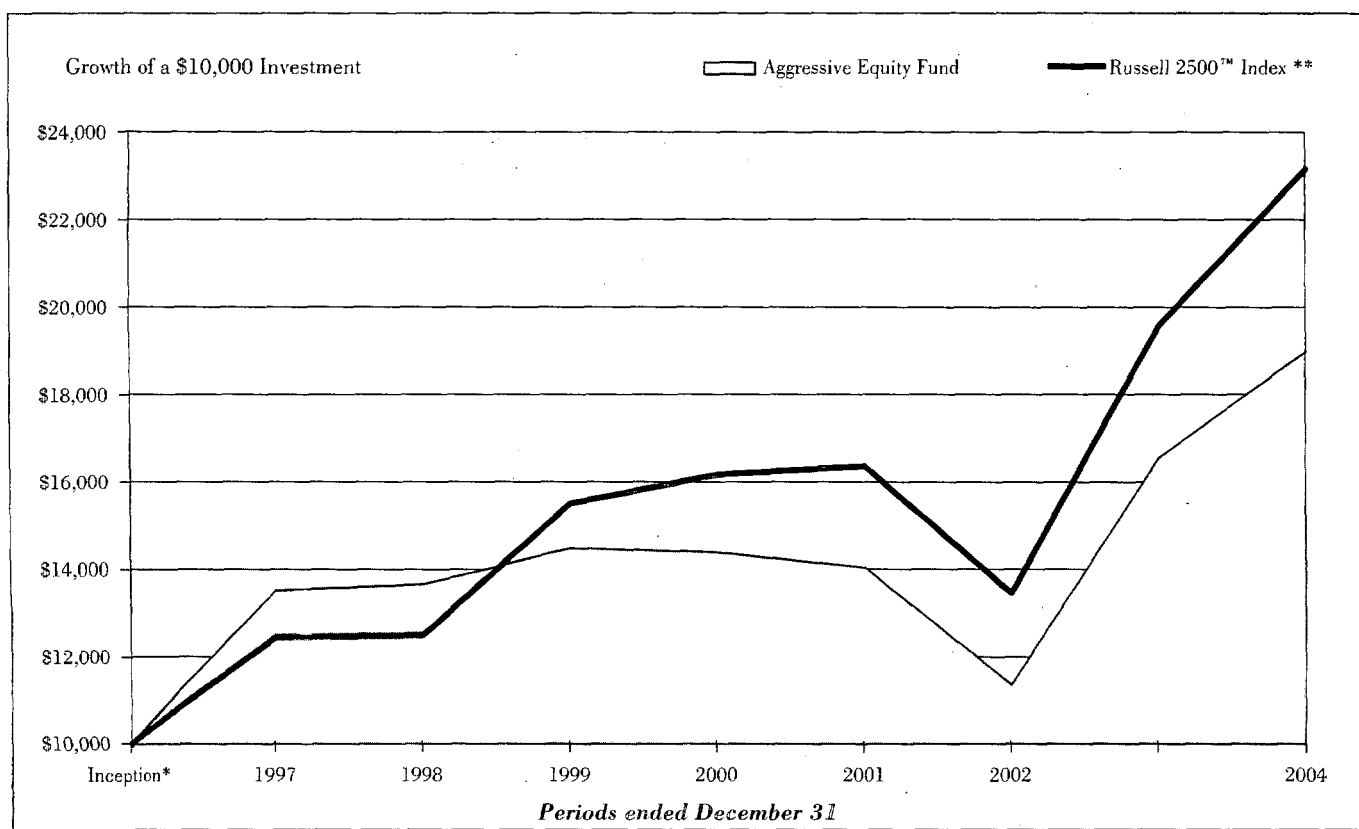
Futures Contracts (Number of Contracts)	Notional Amount \$	Unrealized Appreciation (Depreciation) \$	Portfolio Summary (Unaudited)	% of Net Assets
Long Positions			Auto and Transportation	2.2
Russell 1000 Index			Consumer Discretionary	15.7
expiration date 03/05 (7)	2,282	41	Consumer Staples	7.9
S&P 500 E-Mini Index			Financial Services	18.6
expiration date 03/05 (34)	2,063	51	Health Care	13.2
S&P 500 Index			Integrated Oils	4.3
expiration date 03/05 (5)	1,517	11	Materials and Processing	5.2
S&P Midcap 400 Index			Miscellaneous	4.3
expiration date 03/05 (25)	8,317	366	Other Energy	1.5
Total Unrealized Appreciation (Depreciation) on Open Futures Contracts		<u>469</u>	Producer Durables	4.0
			Technology	12.6
			Utilities	6.1
			Short-Term Investments	4.3
			Other Securities	0.3
			Total Investments	100.2
			Other Assets and Liabilities, Net	(0.2)
			Net Assets	<u>100.0</u>
			Futures Contracts	0.1

See accompanying notes which are an integral part of the financial statements.

Russell Investment Funds

Aggressive Equity Fund

Portfolio Management Discussion — December 31, 2004 (Unaudited)



Aggressive Equity Fund

Periods Ended 12/31/04	Growth of \$10,000	Total Return
1 Year	\$ 11,473	14.73%
5 Years	\$ 13,114	5.57%§
Inception	\$ 18,982	8.34%§

Russell 2500™ Index

Periods Ended 12/31/04	Growth of \$10,000	Total Return
1 Year	\$ 11,829	18.29%
5 Years	\$ 14,934	8.35%§
Inception	\$ 23,145	11.06%§

Russell Investment Funds

Aggressive Equity Fund

Portfolio Management Discussion, continued — December 31, 2004 (Unaudited)

What is the Fund's investment objective?

The Fund seeks to provide long term capital growth.

How did the Fund perform relative to its benchmark for the fiscal year ended December 31, 2004?

For the fiscal year ended December 31, 2004, the Aggressive Equity Fund gained 14.73%. This compared to the Russell 2500TM Index, which gained 18.29% during the same period. The Fund's performance is net of operating expenses of 1.05%. Index returns do not reflect deduction for fees or expenses. Index returns do not include fair valuation adjustments which may be included in fund returns.

How did the market conditions, as described starting on page 4 of this report, affect the Fund's performance?

A difficult market environment for the Fund led to significant underperformance relative to the benchmark. In particular, the market's unfavorable treatment of stocks with higher levels of expected growth, positive earnings estimate revisions and/or lower yields and reward of higher dividend yielding stocks posed performance challenges for the Fund. The Fund's portfolio had valuation characteristics similar to those of the benchmark. However, the Fund's simultaneous emphasis of stocks with higher than benchmark expected growth and lower than benchmark dividend yields resulted in the Fund's significant relative underperformance.

What were the primary contributors and detractors to the Fund's performance during the last 12 months?

Security selection was the primary cause of the Fund's relative underperformance for the year. In particular, security selection in the technology, health care and consumer discretionary sectors was particularly poor and almost entirely responsible for the Fund's relative underperformance.

How did the investment strategies and techniques employed by the Fund and its money managers affect its performance?

While the Fund's relative underperformance is attributable mostly to security selection, this resulted not from the investment strategies employed by the money managers in stock picking, but rather from very defensive market conditions. These market conditions led to unprecedented returns for value stocks relative to growth stocks, contracting valuation multiples, extremely cheap pure growth stocks and extremely expensive higher yielding stocks.

Of the Fund's eight money managers, only Geewax Terker and Goldman Sachs outperformed the benchmark for the year. Geewax outperformed primarily as a result of its emphasis on higher financial quality stocks and stocks with lower relative stock valuation. Goldman Sachs outperformed largely as a result of holding a handful of stocks that performed very well possibly due to the timing of cash flows allocated to this money manager.

The Fund's other money managers underperformed the benchmark. CapitalWorks underperformed significantly as a result of its emphasis on higher expected growth stocks. David J. Greene only slightly underperformed because its emphasis on deep cyclical stocks caused its holdings to rally in the fourth quarter. TimesSquare underperformed largely due to its emphasis on higher expected growth stocks. Jacobs Levy underperformed as a consequence of its sector allocation decisions, in particular, an overweight to the technology sector and an underweight to the other energy sector. Suffolk Capital Management and Systematic Financial Management (money managers terminated in May 2004) significantly underperformed as a result of their emphasis on higher relative growth stocks and positive earnings fundamentals.

Describe any changes to the Fund's structure or the money manager line-up.

In May 2004, Nicholas Applegate Capital Management replaced Systematic Financial Management and Gould Investment Partners replaced Suffolk Capital. The Fund's investment strategies, risk parameters and portfolio characteristics such as valuation, sector exposure and growth relative to the benchmark did not materially change as a result of these changes.

Like Suffolk, Gould pursues a relatively aggressive earnings momentum growth strategy. A key to Gould's success investing in higher valuation growth stocks is a very aggressive sell discipline. Consequently, Gould's portfolios tend to have very high turnover rates. Their portfolio tends to be concentrated among a few sectors in which companies with accelerating earnings are more prevalent such as technology, healthcare and producer durables.

Nicholas-Applegate pursues a small capitalization value strategy incorporating a quantitative model with the fundamental insights of the portfolio manager. Consequently, the investment approach is a blend of quantitative and qualitative approaches to security selection. Nicholas-Applegate's portfolio capitalization, valuation, sector and growth traits closely resemble the Russell 2000[®] Value Index, with moderate deviations based on bottom-up stock preferences.

In December 2004, approximately 4% of Fund assets were reallocated from value money managers to growth money managers as a result of Frank Russell Investment Management Company's belief that small capitalization growth stocks were attractively valued relative to small capitalization value stocks. The reallocation resulted in a very minor tilt toward growth stocks relative to benchmark and a small increase in forecasted tracking error.

Russell Investment Funds

Aggressive Equity Fund

Portfolio Management Discussion, continued — December 31, 2004 (Unaudited)

Money Managers

as of December 31, 2004

Styles

CapitalWorks Investment Partners, LLC	Growth
David J. Greene and Company, LLC	Value
Geewax, Terker & Company	Growth
Goldman Sachs Asset Management, L.P.	Market-Oriented
Gould Investment Partners LLC	Growth
Jacobs Levy Equity Management, Inc.	Value
Nicholas-Applegate Capital Management LLC	Value
TimesSquare Capital Management, Inc.	Growth

* The Fund commenced operations on January 2, 1997. Index comparison began January 1, 1997.

** Russell 2500™ Index is composed of the bottom 500 stocks in the Russell 1000® Index and all the stocks in the Russell 2000® Index. The Russell 2500™ Index return reflects adjustments for income dividends and capital gains distributions reinvested as of the ex-dividend dates.

§ Annualized.

Performance is historical and assumes reinvestment of all dividends and capital gains. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than when purchased. Past performance is not indicative of future results.

Russell Investment Funds

Aggressive Equity Fund

Shareholder Expense Example — December 31, 2004 (Unaudited)

Fund Expenses

The following disclosure provides important information regarding each Fund's Expense Example, which appears on each Fund's individual page in this Annual Report. Please refer to this information when reviewing the Expense Example for a Fund.

Example

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, and (2) ongoing costs, including management fees; and other Fund expenses. The 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 period and held for the entire period indicated, which for this Fund is from July 1, 2004 to December 31, 2004.

Actual Expenses

The information in the table under the heading "Actual Performance" provides information about actual account values and actual expenses. You may use the information in this column, 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 first column in the row entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The information in the table under the heading "Hypothetical Performance (5% return before expenses)" 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 other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs. Therefore, the information under the heading "Hypothetical Performance (5% return before expenses)" is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	<u>Actual Performance</u>	<u>Hypothetical Performance (5% return before expenses)</u>
Beginning Account Value July 1, 2004	\$ 1,000.00	\$ 1,000.00
Ending Account Value December 31, 2004	\$ 1,100.00	\$ 1,019.72
Expenses Paid During Period*	\$ 5.54	\$ 5.33

* Expenses are equal to the Fund's annualized expense ratio of 1.05%, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period). Reflects amounts waived and/or reimbursed by the investment adviser. Without the waiver and/or reimbursement, expenses would have been higher.

Russell Investment Funds

Aggressive Equity Fund

Schedule of Investments — December 31, 2004

Amounts in thousands (except share amounts)

	Principal Amount (\$) or Shares	Market Value \$		Principal Amount (\$) or Shares	Market Value \$
Common Stocks - 95.6%					
Auto and Transportation - 5.3%			Werner Enterprises, Inc.	7,700	174
AAR Corp. (Æ)	18,400	251	Westinghouse Air Brake Technologies Corp.	5,900	126
Alaska Air Group, Inc. (Æ)	7,800	261			10,368
American Axle & Manufacturing Holdings, Inc.	8,000	245	Consumer Discretionary - 19.0%		
Arctic Cat, Inc.	1,300	35	51job, Inc. - ADR (Æ)(Ñ)	4,200	218
ArvinMeritor, Inc.	6,100	136	Aaron Rents, Inc.	4,500	112
Autoliv, Inc.	23,000	1,111	Abercrombie & Fitch Co. Class A	11,200	526
Aviall, Inc. (Æ)	2,700	62	ABM Industries, Inc.	3,900	77
BorgWarner, Inc.	2,000	108	AC Moore Arts & Crafts, Inc. (Æ)	4,200	121
CNF, Inc.	7,700	386	Activision, Inc. (Æ)	9,300	188
Cooper Tire & Rubber Co.	7,300	157	Adesa, Inc.	6,100	129
Dana Corp.	20,900	362	Advance Auto Parts (Æ)	8,100	354
Dura Automotive Systems, Inc. Class A (Æ)	2,300	25	Advo, Inc.	6,200	221
EGL, Inc. (Æ)	11,200	335	Aeropostale, Inc. (Æ)	9,350	275
ExpressJet Holdings, Inc. (Æ)	16,000	206	Alliance Gaming Corp. (Æ)(Ñ)	10,400	144
Frontier Airlines, Inc. (Æ)	8,900	102	Ambassadors Group, Inc.	1,100	39
Genesee & Wyoming, Inc. Class A (Æ)	16,250	457	American Greetings Class A	7,500	190
Gentex Corp.	4,600	170	American Woodmark Corp.	900	39
Greenbrier Cos., Inc.	3,000	102	Ameristar Casinos, Inc. (Ñ)	2,200	95
Grupo TMM SA - ADR (Æ)(Ñ)	16,200	59	Applica, Inc. (Æ)	5,800	35
Hearland Express, Inc.	9,650	217	Arbitron, Inc. (Æ)	5,200	204
HUB Group, Inc. Class A (Æ)	4,000	209	BearingPoint, Inc. (Æ)	38,600	310
JB Hunt Transport Services, Inc.	14,600	655	Big 5 Sporting Goods Corp.	2,100	61
Kansas City Southern (Æ)	7,000	124	Bon-Ton Stores, Inc. (The) (Ñ)	4,200	66
Kirby Corp. (Æ)	1,900	84	Boyd Gaming Corp.	6,000	250
Laidlaw International, Inc. (Æ)	11,000	235	Bright Horizons Family Solutions, Inc. (Æ)	900	58
Navistar International Corp. (Æ)	5,200	229	Brink's Co. (The)	15,000	593
Offshore Logistics, Inc. (Æ)	10,800	351	Brookstone, Inc. (Æ)	11,250	220
Old Dominion Freight Line (Æ)	12,300	428	Carmike Cinemas, Inc.	6,600	241
Oshkosh Truck Corp.	3,800	260	Cato Corp. (The) Class A	2,700	78
Overnite Corp.	6,100	227	CEC Entertainment, Inc. (Æ)	3,600	144
Overseas Shipholding Group	6,000	331	Central European Distribution Corp. (Æ)(Ñ)	16,750	495
Pacer International, Inc. (Æ)	7,700	164	Central Garden and Pet Co. (Æ)	3,900	163
Polaris Industries, Inc. (Ñ)	9,500	646	Charming Shoppes (Æ)	44,900	421
RailAmerica, Inc. (Æ)	10,700	140	Chemed Corp.	4,200	282
Sauer-Danfoss, Inc.	1,900	41	Choice Hotels International, Inc.	7,500	435
SCS Transportation, Inc. (Æ)	1,500	35	ChoicePoint, Inc. (Æ)	8,133	374
Skywest, Inc.	10,500	211	Circuit City Stores, Inc.	37,900	593
Stoneridge, Inc. (Æ)	1,200	18	Claire's Stores, Inc.	3,300	70
TRW Automotive Holdings Corp. (Æ)	5,000	104	Coinstar, Inc. (Æ)(Ñ)	4,300	115
US Xpress Enterprises, Inc. Class A (Æ)(Ñ)	1,500	44	Coldwater Creek, Inc. (Æ)	2,250	69
UTI Worldwide, Inc. (Ñ)	9,000	612	Concorde Career Colleges, Inc. (Æ)(Ñ)	6,083	123
Visteon Corp. (Ñ)	13,600	133	Consolidated Graphics, Inc. (Æ)	6,900	317
			Convergys Corp. (Æ)	24,600	369

Russell Investment Funds

Aggressive Equity Fund

Schedule of Investments, continued — December 31, 2004

Amounts in thousands (except share amounts)

	Principal Amount (\$) or Shares	Market Value \$		Principal Amount (\$) or Shares	Market Value \$
Corinthian Colleges, Inc. (Æ)	11,000	207	International Flavors & Fragrances,		
Corporate Executive Board Co.	12,200	817	Inc.	2,000	86
Corrections Corp. of America (Æ)	5,800	235	International Speedway Corp. Class A	6,400	338
CSK Auto Corp. (Æ)	3,200	54	ITT Educational Services, Inc. (Æ)	9,000	428
Ctrip.com International, Ltd. -			Jack in the Box, Inc. (Æ)	10,600	391
ADR (Æ)(Ñ)	3,450	159	Jarden Corp. (Æ)	3,000	130
Darden Restaurants, Inc.	1,300	36	Jo-Ann Stores, Inc. (Æ)	6,600	182
Dave & Buster's, Inc. (Æ)(Ñ)	7,400	149	Journal Communications, Inc. Class A	3,300	60
Deckers Outdoor Corp. (Æ)(Ñ)	10,000	470	Kellwood Co.	5,000	172
Dick's Sporting Goods, Inc. (Æ)(Ñ)	9,700	341	La-Z-Boy, Inc. Class C	5,900	91
Dillard's, Inc. Class A	5,900	159	Labor Ready, Inc. (Æ)	30,250	512
Dollar Thrifty Automotive Group (Æ)	22,300	673	Lamar Advertising Co. Class A (Æ)	7,200	308
Dollar Tree Stores, Inc. (Æ)	3,600	103	Landry's Restaurants, Inc.	3,600	105
DreamWorks Animation SKG, Inc.			Leapfrog Enterprises, Inc. (Æ)(Ñ)	8,600	117
Class A (Æ)	3,500	131	Lee Enterprises, Inc.	4,900	226
Dress Barn, Inc. (Æ)(Ñ)	1,800	32	Lithia Motors, Inc. Class A (Ñ)	4,300	115
Earthlink, Inc. (Æ)	12,700	146	Lone Star Steakhouse & Saloon	9,300	260
Education Management Corp. (Æ)	22,000	726	Marcus Corp.	2,700	68
Electronics Boutique Holdings			Marvel Enterprises, Inc. (Æ)	9,450	194
Corp. (Æ)	3,400	146	Midway Games, Inc. (Æ)(Ñ)	3,500	37
Entercom Communications Corp. (Æ)	7,000	251	Mohawk Industries, Inc. (Æ)	4,400	401
Entravision Communications Corp.			Monro Muffler, Inc. (Æ)	1,900	48
Class A (Æ)	5,900	49	Monster Worldwide, Inc. (Æ)	5,950	200
Ethan Allen Interiors, Inc.	3,200	128	Movado Group, Inc.	4,200	78
Fastenal Co.	1,000	62	MPS Group, Inc. (Æ)	22,100	271
Finish Line Class A (Ñ)	6,400	117	MSC Industrial Direct Co. Class A	2,000	72
Fisher Scientific International (Æ)	1,600	100	Nautilus Group, Inc. (Ñ)	12,100	292
G&K Services, Inc. Class A	1,500	65	Neiman-Marcus Group, Inc. Class A	2,700	193
Gaylord Entertainment Co. (Æ)	6,500	270	Netratings, Inc. (Æ)	6,813	131
Geo Group, Inc. (The) (Æ)	1,000	27	O'Reilly Automotive, Inc. (Æ)(Ñ)	1,000	45
Getty Images, Inc. (Æ)	9,300	640	Overstock.com, Inc. (Æ)(Ñ)	5,200	359
Greenfield Online, Inc. (Æ)(Ñ)	3,200	70	Pantry, Inc. (The) (Æ)(Ñ)	6,500	196
GTECH Holdings Corp.	14,700	381	Payless Shoesource, Inc. (Æ)	3,400	42
Guess ?, Inc. (Æ)	6,600	83	PEP Boys-Manny Moe & Jack	4,700	80
Guitar Center, Inc. (Æ)(Ñ)	6,100	321	Petco Animal Supplies, Inc. (Æ)	20,500	809
Handleman Co. (Ñ)	14,000	301	Petsmart, Inc.	2,000	71
Harte-Hanks, Inc.	5,100	132	Pier 1 Imports, Inc.	5,600	110
Hartmarx Corp. (Æ)	4,800	37	Polo Ralph Lauren Corp.	23,300	993
Hasbro, Inc.	15,000	291	Pre-Paid Legal Services, Inc. (Ñ)	3,400	128
Haverty Furniture Cos., Inc.	11,500	213	Primedia, Inc. (Æ)	10,400	40
Hearst-Argyle Television, Inc.	22,500	594	Radio One, Inc. Class D (Æ)	26,300	424
Hewitt Associates, Inc. Class A (Æ)	17,700	567	RC2 Corp. (Æ)	1,300	42
Hibbett Sporting Goods, Inc. (Æ)	8,500	226	Red Robin Gourmet Burgers, Inc. (Æ)	1,000	53
Hilton Hotels Corp.	12,600	287	Regal Entertainment Group Class A	11,500	239
Hollinger International, Inc.			Regis Corp.	4,200	194
Class A (Ñ)	3,800	60	Rent-A-Center, Inc. (Æ)	1,700	45
IKON Office Solutions, Inc. (Ñ)	20,300	235	Resources Connection, Inc. (Æ)(Ñ)	10,300	559
Infospace, Inc. (Æ)(Ñ)	2,000	95	RH Donnelley Corp. (Æ)	1,100	65
Insight Enterprises, Inc. (Æ)	2,600	53	RR Donnelley & Sons Co.	9,290	328

Russell Investment Funds

Aggressive Equity Fund

Schedule of Investments, continued — December 31, 2004

Amounts in thousands (except share amounts)

	Principal Amount (\$) or Shares	Market Value \$		Principal Amount (\$) or Shares	Market Value \$
Ruby Tuesday, Inc.	1,600	42	Lance, Inc.	2,500	48
Rush Enterprises, Inc. Class B (Æ)	700	12	Loews Corp.	4,400	127
Russ Berrie & Co., Inc.	1,300	30	Longs Drug Stores Corp.	1,900	52
Sabre Holdings Corp. Class A	9,500	211	M&F Worldwide Corp. (Æ)	8,600	117
Scholastic Corp. (Æ)	3,300	122	Nash Finch Co. (Ñ)	16,300	616
Scientific Games Corp. Class A (Æ)	4,700	112	Natures Sunshine Products, Inc.	3,900	79
SCP Pool Corp.	24,500	782	NBTY, Inc. (Æ)	6,500	156
ShopKo Stores, Inc. (Æ)(Ñ)	13,300	248	Nutraceutical International Corp. (Æ)	6,700	103
Six Flags, Inc. (Æ)(Ñ)	21,300	114	Pathmark Stores, Inc. (Æ)	24,900	145
Skechers U.S.A., Inc. Class A (Æ)	3,300	43	PepsiAmericas, Inc.	5,700	121
Sonic Automotive, Inc.	1,700	42	Pilgrim's Pride Corp.	14,600	448
Sourcecorp (Æ)	10,900	208	Ralcorp Holdings, Inc.	5,300	222
Speedway Motorsports, Inc.	6,700	262	Ruddick Corp.	4,000	87
Sports Authority, Inc. (The) (Æ)(Ñ)	6,600	170	Smart & Final, Inc. (Æ)(Ñ)	5,400	78
Stage Stores, Inc. (Æ)	15,500	644	Tootsie Roll Industries, Inc.	1,700	59
Stanley Works (The)	1,800	88	Tyson Foods, Inc. Class A	3,600	66
Steinway Musical Instruments (Æ)	600	17	Universal Corp.	3,200	153
Stewart Enterprises, Inc. Class A (Æ)	39,600	277			<u>3,713</u>
TBC Corp. (Æ)	1,500	42			
Tech Data Corp. (Æ)	22,100	1,003	Financial Services - 19.4%		
TeleTech Holdings, Inc. (Æ)(Ñ)	12,000	116	21st Century Insurance Group	100	1
Tempur-Pedic International, Inc. (Æ)	16,200	343	ACE Cash Express, Inc. (Æ)	2,000	59
Thomas Nelson, Inc.	1,000	23	Advent Software, Inc. (Æ)	12,300	252
Tiffany & Co.	2,500	80	Alleghany Corp. (Æ)	353	101
Too, Inc. (Æ)	8,100	198	Alliance Data Systems Corp. (Æ)	26,600	1,263
Toro Co.	5,300	431	Allmerica Financial Corp. (Æ)	10,400	341
Toys R US, Inc. (Æ)	15,300	313	AMB Property Corp. (ö)	8,400	339
Trans World Entertainment (Æ)(Ñ)	17,300	216	American Financial Group, Inc.	3,500	110
Triarc Cos. Class B (Ñ)	2,400	29	American Physicians Capital, Inc. (Æ)	1,900	68
Unifirst Corp. (Ñ)	600	17	AmeriCredit Corp. (Æ)	21,800	533
USANA Health Sciences, Inc. (Æ)(Ñ)	4,600	157	Anthracite Capital, Inc. (ö)	739	9
Vail Resorts, Inc. (Æ)	7,100	159	Anworth Mortgage Assset Corp. (Ñ)	14,100	151
Valassis Communications, Inc. (Æ)	3,000	105	Arden Realty, Inc. (ö)	2,400	91
Ventiv Health, Inc. (Æ)	8,000	163	Ashford Hospitality Trust, Inc. (ö)	18,000	196
Volt Information Sciences, Inc. (Æ)	1,000	29	Associated Banc-Corp	15,315	509
Watson Wyatt & Co. Holdings	2,000	54	Assurant, Inc.	3,000	92
WESCO International, Inc. (Æ)	17,500	519	Assured Guaranty, Ltd.	10,500	207
West Corp. (Æ)	10,800	358	Asta Funding, Inc. (Ñ)	5,200	140
Wet Seal, Inc. (The) Class A (Æ)(Ñ)	16,900	38	AvalonBay Communities, Inc. (ö)	5,200	392
Wynn Resorts, Ltd. (Æ)(Ñ)	600	40	Bank Mutual Corp.	15,700	191
		<u>37,238</u>	Bank of Hawaii Corp.	15,900	807
			BankAtlantic Bancorp, Inc. Class A	300	6
Consumer Staples - 1.9%			BankUnited Financial Corp.		
Adolph Coors Co. Class B	3,000	227	Class A (Æ)	3,000	96
Church & Dwight Co., Inc.	3,050	103	BISYS Group, Inc. (The) (Æ)	5,000	82
Constellation Brands, Inc. Class A (Æ)	12,900	600	BOK Financial Corp. (Æ)	1,030	50
Del Monte Foods Co. (Æ)	3,400	37	Brookline Bancorp, Inc. (Ñ)	12,800	209
DIMON, Inc. (Ñ)	10,300	69	Capital Automotive REIT (ö)	8,500	302

Russell Investment Funds

Aggressive Equity Fund

Schedule of Investments, continued — December 31, 2004

Amounts in thousands (except share amounts)

	Principal Amount (\$) or Shares	Market Value \$		Principal Amount (\$) or Shares	Market Value \$
Capital Trust, Inc. Class A (ø)(Ñ)	2,900	89	Friedman Billings Ramsey Group, Inc.		
CapitalSource, Inc. (Æ)	25,400	652	Class A (ø)(Ñ)	2,300	45
Cash America International, Inc.	3,700	110	Gabelli Asset Management, Inc.		
Cathay General Bancorp	2,100	79	Class A (Ñ)	2,500	121
CB Richard Ellis Group, Inc.			GATX Corp.	4,600	136
Class A (Æ)	15,700	527	Getty Realty Corp. (ø)	1,900	55
CBL & Associates Properties, Inc. (ø)	3,700	282	Global Payments, Inc.	10,300	603
Certegy, Inc.	5,800	206	Gold Banc Corp., Inc.	10,600	155
CharterMac	4,800	117	Government Properties Trust,		
Checkfree Corp. (Æ)	4,500	171	Inc. (ø)(Ñ)	3,200	32
Chemical Financial Corp.	700	30	Greater Bay Bancorp (Ñ)	7,000	195
CIT Group, Inc.	4,000	183	Hancock Holding Co.	1,400	47
City National Corp.	4,400	311	Hanmi Financial Corp.	1,500	54
Colonial BancGroup, Inc. (The)	12,200	259	Health Care Property Investors, Inc. (ø)	900	25
Colonial Properties Trust (ø)(Ñ)	3,800	149	Health Care REIT, Inc. (ø)	7,700	294
Commerce Group, Inc. (Ñ)	2,000	122	HealthExtras, Inc. (Æ)(Ñ)	26,900	438
Commercial Federal Corp.	5,000	149	Heritage Property Investment		
Commercial Net Lease Realty (ø)	11,900	245	Trust (ø)(Ñ)	4,700	151
Community Bank System, Inc.	12,600	356	Hibernia Corp. Class A	1,400	41
CompuCredit Corp. (Æ)	20,300	555	HomeBanc Corp. (ø)(Ñ)	20,200	196
Correctional Properties Trust (ø)	1,000	29	Hospitality Properties Trust (ø)	1,500	69
Corus Bankshares, Inc.	2,900	139	Host Marriott Corp. (ø)	5,700	99
Cousins Properties, Inc. (ø)	11,800	357	HRPT Properties Trust (ø)	45,100	579
CRT Properties, Inc. (ø)	5,900	141	Hudson United Bancorp	2,700	106
Developers Diversified Realty Corp. (ø)	2,100	93	Independent Bank Corp.	990	30
Diamondrock Hospitality Co. (Æ) (P)	20,800	212	Infinity Property & Casualty Corp.	9,400	331
Direct General Corp.	7,300	234	Innkeepers USA Trust (ø)	6,700	95
Doral Financial Corp.	2,450	121	Investors Financial Services Corp.	15,000	750
Downey Financial Corp.	3,700	211	iPayment, Inc. (Æ)	8,389	415
East-West Bancorp, Inc.	1,700	71	iShares S&P MidCap 400/BARRA		
Eastgroup Properties (ø)	2,000	77	Growth Index Fund (Ñ)	4,500	608
Eaton Vance Corp.	1,900	99	Jack Henry & Associates, Inc.	15,000	299
eFunds Corp. (Æ)	8,000	192	Jameson Inns, Inc. (Æ)	92,200	182
Encore Capital Group, Inc. (Æ)	6,600	157	Janus Capital Group, Inc.	27,600	464
Entertainment Properties Trust (ø)	2,100	94	Jefferies Group, Inc.	7,300	294
Equity Inns, Inc. (ø)	3,800	45	Jones Lang LaSalle, Inc. (Æ)	10,800	404
Equity Lifestyle Properties, Inc. (ø)	4,900	175	KKR Financial Corp. (Æ)	25,300	266
Equity One, Inc. (ø)	12,700	301	Knight Trading Group, Inc.		
Euronet Worldwide, Inc. (Æ)	12,800	333	Class A (Æ)	20,200	221
Factset Research Systems, Inc.	1,000	58	Kronos, Inc. (Æ)	3,900	199
Fair Isaac Corp.	4,100	150	La Quinta Corp. (Æ) (ø)	45,900	417
Fidelity Bankshares, Inc.	800	34	LandAmerica Financial Group, Inc. (Ñ)	15,900	857
Fieldstone Investment Corp. (Æ) (P)	13,100	226	Legg Mason, Inc.	3,600	264
First American Corp.	17,000	597	Macatawa Bank Corp.	5,200	168
First Bancorp	1,600	102	MAF Bancorp, Inc.	4,100	184
First Financial Bancorp	5,400	94	Maguire Properties, Inc. (ø)	6,600	181
First Marblehead Corp. (The) (Æ)(Ñ)	1,500	84	Markel Corp. (Æ)	1,600	582
First Niagara Financial Group, Inc.	27,100	378	Marlin Business Services, Inc. (Æ)(Ñ)	2,300	44
Flushing Financial Corp.	1,200	24			

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	Principal Amount (\$) or Shares	Market Value \$		Principal Amount (\$) or Shares	Market Value \$
Meadowbrook Insurance Group, Inc. (Æ)	41,100	205	Stewart Information Services Corp.	15,700	654
Meristar Hospitality Corp. (Æ)(ö)	16,600	139	Summit Properties, Inc. (ö)	2,400	78
Mid-America Apartment Communities, Inc. (ö)(Ñ)	1,400	58	TCF Financial Corp.	9,700	312
National Health Investors, Inc. (ö)	8,000	233	Texas Regional Bancshares, Inc. Class A	4,500	147
National Penn Bancshares, Inc. (Ñ)	787	22	Tower Group, Inc.	17,700	212
Nationwide Health Properties, Inc. (ö)	9,000	214	UCBH Holdings, Inc.	5,700	261
Navigators Group, Inc. (Æ)	5,100	154	UICI	6,700	227
NDCHealth Corp.	6,000	112	UMB Financial Corp.	500	28
New Century Financial Corp. (ö)	8,200	524	United Bankshares, Inc.	2,000	76
Nuveen Investments, Inc. Class A (Ñ)	1,100	43	United Community Banks, Inc. (Ñ)	900	24
OceanFirst Financial Corp.	1,703	42	Universal Health Realty Income Trust (ö)	900	29
Ohio Casualty Corp. (Æ)	6,800	158	Washington Real Estate Investment Trust (ö)	5,500	186
Pacific Capital Bancorp	1,466	50	Webster Financial Corp.	3,000	152
Parkvale Financial Corp.	3,757	108	WeLLChoice, Inc. (Æ)	7,100	379
Partners Trust Financial Group, Inc.	14,100	164	WesBanco, Inc.	600	19
People's Bank	6,700	261	Whitney Holding Corp.	1,600	72
PFF Bancorp, Inc.	4,420	205	World Acceptance Corp. (Æ)	3,700	102
Philadelphia Consolidated Holding Co. (Æ)	500	33	WR Berkley Corp.	4,800	226
PMA Capital Corp. Class A (Æ)(Ñ)	5,200	54	WSFS Financial Corp.	3,800	229
Popular, Inc.	2,400	69			<u>37,835</u>
Portfolio Recovery Associates, Inc. (Æ)(Ñ)	9,800	404	Health Care - 10.7%		
Primus Guaranty, Ltd. (Æ)	11,700	192	Abaxis, Inc. (Æ)	10,400	151
PrivateBancorp, Inc. (Ñ)	2,400	77	Abgenix, Inc. (Æ)(Ñ)	21,700	224
Protective Life Corp.	7,300	312	Able Laboratories, Inc. (Æ)	11,400	259
Provident Bankshares Corp.	1,500	55	Accelrys, Inc. (Æ)	16,900	132
Provident Senior Living Trust (ö) (P)	15,300	245	Accredo Health, Inc. (Æ)	3,000	83
PS Business Parks, Inc. (ö)	1,600	72	Advanced Medical Optics, Inc. (Æ)	900	37
Quanta Capital Holdings, Ltd. (Æ)	22,900	211	Alliance Imaging, Inc. (Æ)	4,900	55
R&G Financial Corp. Class B	4,000	156	Alpharma, Inc. Class A	6,600	112
Radian Group, Inc.	4,500	240	American Medical Systems Holdings, Inc. (Æ)	4,870	204
Raymond James Financial, Inc.	9,600	297	Applera Corp. - Celera Genomics Group (Æ)	81,900	1,126
Reckson Associates Realty Corp. (ö)	3,800	125	Arthrocare Corp. (Æ)(Ñ)	4,800	154
Redwood Trust, Inc. (ö)	2,600	161	Beckman Coulter, Inc.	1,400	94
Regency Centers Corp. (ö)	900	50	Beverly Enterprises, Inc. (Æ)(Ñ)	7,200	66
Republic Bancorp, Inc.	4,069	62	Bio-Rad Laboratories, Inc. Class A (Æ)	3,900	224
Ryder System, Inc.	3,100	148	Candela Corp. (Æ)(Ñ)	19,400	220
Safety Insurance Group, Inc.	800	25	Centene Corp. (Æ)	2,000	57
Selective Insurance Group	6,900	305	Cephalon, Inc. (Æ)(Ñ)	11,500	585
Senior Housing Properties Trust (ö)	23,100	437	Charles River Laboratories International, Inc. (Æ)	10,200	469
Silicon Valley Bancshares (Æ)	14,100	632	Chattem, Inc. (Æ)	1,200	40
SL Green Realty Corp. (ö)	8,400	509	Community Health Systems, Inc. (Æ)	14,600	407
Sovran Self Storage, Inc. (ö)	1,100	46			
State Auto Financial Corp.	1,200	31			
Sterling Bancorp	532	15			
Sterling Bancshares, Inc.	3,800	54			

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Amounts in thousands (except share amounts)

	Principal Amount (\$) or Shares	Market Value \$		Principal Amount (\$) or Shares	Market Value \$
Connetics Corp. (Æ)	6,200	151	Pediatrix Medical Group, Inc. (Æ)	10,300	660
Covance, Inc. (Æ)	800	31	Perrigo Co.	2,800	48
CTI Molecular Imaging, Inc. (Æ)	26,200	372	Pharmaceutical Product Development, Inc. (Æ)	8,400	347
Cytec Corp. (Æ)	7,600	210	Pharmacopeia Drug Discovery, Inc. (Æ)	9,350	56
Dade Behring Holdings, Inc. (Æ)	15,500	868	Praecis Pharmaceuticals, Inc. (Æ)	8,500	16
Datascope Corp.	1,000	40	Protein Design Labs, Inc. (Æ)	12,400	256
DaVita, Inc. (Æ)	34,250	1,354	Renal Care Group, Inc. (Æ)	1,000	36
Edwards Lifesciences Corp. (Æ)	7,000	289	Respironics, Inc. (Æ)	9,500	516
Endo Pharmaceuticals Holdings, Inc. (Æ)	5,600	118	Salix Pharmaceuticals, Ltd. (Æ)	1,800	32
Enzon Pharmaceuticals, Inc. (Æ)(Ñ)	9,100	125	Serologicals Corp. (Æ)(Ñ)	18,100	400
First Horizon Pharmaceutical Corp. (Æ)(Ñ)	5,100	117	SFBC International, Inc. (Æ)(Ñ)	3,400	134
Gen-Probe, Inc. (Æ)	3,300	149	Sierra Health Services (Æ)(Ñ)	8,800	485
Genencor International, Inc. (Æ)	7,200	118	Sonic Innovations, Inc. (Æ)(Ñ)	9,000	38
Guilford Pharmaceuticals, Inc. (Æ)(Ñ)	5,100	25	Stericycle, Inc. (Æ)	8,500	391
Health Net, Inc. (Æ)	11,500	332	Sybron Dental Specialties, Inc. (Æ)	7,766	275
Hologic, Inc. (Æ)	7,800	214	Thoratec Corp. (Æ)	6,400	67
Humana, Inc. (Æ)	19,800	588	Triad Hospitals, Inc. (Æ)	8,400	313
Immucor, Inc. (Æ)	6,900	162	United Therapeutics Corp. (Æ)(Ñ)	1,500	68
Inamed Corp. (Æ)	3,500	221	Universal Health Services, Inc. Class B	5,600	249
Intralase Corp. (Æ)	18,925	444	VCA Antech, Inc. (Æ)	15,800	310
Intuitive Surgical, Inc. (Æ)	1,600	64	Ventana Medical Systems (Æ)(Ñ)	11,600	742
Kindred Healthcare, Inc. (Æ)(Ñ)	9,100	273	Vicuron Pharmaceuticals, Inc. (Æ)	8,200	143
Kos Pharmaceuticals, Inc. (Æ)	8,049	303	West Pharmaceutical Services, Inc.	1,000	25
Kosan Biosciences, Inc. (Æ)(Ñ)	16,600	115	Wilson Greatbatch Technologies, Inc. (Æ)	5,100	114
LabOne, Inc. (Æ)	1,200	38	Zymogenetics, Inc. (Æ)(Ñ)	9,500	218
Lexicon Genetics, Inc. (Æ)(Ñ)	5,900	46			20,855
LifePoint Hospitals, Inc. (Æ)	5,400	188			
Ligand Pharmaceuticals, Inc. Class B (Æ)	14,300	166	Materials and Processing - 9.1%		
Lincare Holdings, Inc. (Æ)	9,500	405	Airgas, Inc.	2,200	58
Magellan Health Services, Inc. (Æ)	9,900	338	Albany International Corp. Class A	7,000	246
Manor Care, Inc.	10,600	376	Arch Chemicals, Inc.	3,600	104
Martek Biosciences Corp. (Æ)	2,700	138	Armor Holdings, Inc. (Æ)	9,600	451
Matria Healthcare, Inc. (Æ)(Ñ)	1,000	39	Ashland, Inc.	6,800	397
Maxygen, Inc. (Æ)	1,500	19	Ball Corp.	9,600	422
Medarex, Inc. (Æ)(Ñ)	29,700	320	Bemis Co.	10,800	314
Medcath Corp. (Æ)(Ñ)	3,700	91	Bluegreen Corp. (Æ)	7,700	153
MGI Pharma, Inc. (Æ)	4,500	126	Brady Corp. Class A	3,200	200
Molecular Devices Corp. (Æ)	12,499	251	Brookfield Homes Corp.	6,000	203
Myriad Genetics, Inc. (Æ)(Ñ)	4,900	110	Brush Engineered Materials, Inc. (Æ)	5,900	109
Nabi Biopharmaceuticals (Æ)	15,644	229	Building Material Holding Corp. (Ñ)	2,400	92
NeighborCare, Inc. (Æ)	200	6	Cabot Corp.	9,400	364
OccuLogix, Inc. (Æ)(Ñ)	9,600	99	Calgon Carbon Corp. (Ñ)	13,300	121
Ocular Sciences, Inc. (Æ)	4,400	216	Carpenter Technology	11,000	643
Option Care, Inc. (Ñ)	2,300	40	Cell GeneSystem, Inc. (Æ)(Ñ)	16,200	131
Pacificare Health Systems (Æ)	3,500	198	Century Aluminum Co. (Æ)	9,000	236
Parexel International Corp. (Æ)	4,700	95	Comfort Systems USA, Inc. (Æ)	14,500	111

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Amounts in thousands (except share amounts)

	Principal Amount (\$) or Shares	Market Value \$		Principal Amount (\$) or Shares	Market Value \$
Constar International, Inc. (Æ)	7,800	60	Steel Technologies, Inc.	2,400	66
Corn Products International, Inc.	2,300	123	Stillwater Mining Co. (Æ)	15,100	170
Crown Holdings, Inc. (Æ)	15,700	216	Terra Industries, Inc. (Æ)(Ñ)	34,600	307
Cytec Industries, Inc.	11,000	566	Texas Industries, Inc.	5,600	349
Drew Industries, Inc. (Æ)	1,100	40	Trammell Crow Co. (Æ)	2,000	36
Dycom Industries, Inc. (Æ)	8,900	272	Tredegar Corp.	9,500	192
Ennis, Inc.	1,700	33	UAP Holding Corp. (Æ)	12,000	207
Florida Rock Industries, Inc.	3,400	202	Unifi, Inc. (Æ)	8,700	33
FMC Corp. (Æ)	2,400	116	URS Corp. (Æ)	3,100	99
Georgia Gulf Corp.	9,400	468	USEC, Inc.	4,500	44
Glatfelter	12,700	194	USG Corp. (Æ)(Ñ)	16,900	681
Gold Kist, Inc. (Æ)(Ñ)	15,500	211	Valmont Industries, Inc.	1,100	28
Granite Construction, Inc.	7,100	189	Valspar Corp.	600	30
Greif, Inc. Class A	100	6	Washington Group International, Inc. (Æ)	10,300	425
Harsco Corp.	4,800	268	Watsco, Inc.	4,200	148
Hecla Mining Co. (Æ)	7,500	44	WCI Communities, Inc. (Æ)(Ñ)	4,600	135
Hercules, Inc. (Æ)	16,600	246	Worthington Industries	10,100	198
Hughes Supply, Inc.	26,500	857	York International Corp.	2,700	93
Human Genome Sciences, Inc. (Æ)	4,300	52			
ICOS Corp. (Æ)	6,000	170			17,822
Incyte Corp. (Æ)	4,600	46			
Insituform Technologies, Inc. Class A (Æ)	14,100	320	Miscellaneous - 0.6%		
Jacuzzi Brands, Inc. (Æ)	20,800	181	Brunswick Corp.	10,300	510
Jermyn Investments (Æ)	19,400	293	Carlisle Cos., Inc.	5,700	370
Lafarge North America, Inc.	6,100	313	Trinity Industries, Inc. (Ñ)	9,400	320
Louisiana-Pacific Corp.	4,600	123			1,200
Lyondell Chemical Co.	11,130	322	Other Energy - 5.1%		
Martin Marietta Materials, Inc.	7,800	419	Berry Petroleum Co. Class A	9,400	448
Metals USA, Inc. (Æ)(Ñ)	6,700	124	Cal Dive International, Inc. (Æ)	16,700	681
Mosaic Co. (The) (Æ)	4,600	75	Callon Petroleum Co. (Æ)	3,600	52
Myers Industries, Inc.	275	3	CARBO Ceramics, Inc.	800	55
NCI Building Systems, Inc. (Æ)	2,500	94	Cimarex Energy Co. (Æ)	1,200	45
NewMarket Corp. (Æ)	13,400	267	Consol Energy, Inc.	1,400	57
NS Group, Inc. (Æ)	4,900	136	Cooper Cameron Corp. (Æ)	4,400	237
NuCo 2, Inc. (Æ)(Ñ)	2,500	55	Denbury Resources, Inc. (Æ)	12,500	343
Octel Corp.	3,500	73	Dril-Quip, Inc. (Æ)	1,300	32
Oregon Steel Mills, Inc. (Æ)	6,200	126	Edge Petroleum Corp. (Æ)(Ñ)	9,300	136
Pactiv Corp. (Æ)	13,100	331	Encore Acquisition Co. (Æ)	3,600	126
PolyOne Corp. (Æ)	10,400	94	ENSCO International, Inc.	9,700	308
Pope & Talbot, Inc.	3,600	62	Frontier Oil Corp.	2,300	61
Precision Castparts Corp.	2,500	164	Global Industries, Ltd. (Æ)	16,600	138
Quanta Services, Inc. (Æ)(Ñ)	54,800	438	Houston Exploration Co. (Æ)	15,900	895
Ryerson Tull, Inc. (Ñ)	32,300	509	Hydril (Æ)	4,300	196
Sealed Air Corp. (Æ)	5,400	288	Input/Output, Inc. (Æ)(Ñ)	3,900	34
Seattle Genetics, Inc. (Æ)	4,100	27	Magnum Hunter Resources, Inc. (Æ)	6,700	86
Silgan Holdings, Inc.	7,500	457	Nabors Industries, Ltd. (Æ)	5,200	267
Sonoco Products Co.	10,700	317	National-Oilwell, Inc. Class C (Æ)(Ñ)	10,400	367
Spartech Corp.	8,700	236			

Russell Investment Funds

Aggressive Equity Fund

Schedule of Investments, continued — December 31, 2004

Amounts in thousands (except share amounts)

	Principal Amount (\$) or Shares	Market Value \$		Principal Amount (\$) or Shares	Market Value \$
Newfield Exploration Co. (Æ)	3,500	207	Duratek, Inc. (Æ)	8,373	209
NRG Energy, Inc. (Æ)	12,100	436	ESCO Technologies, Inc. (Æ)	3,200	245
Oil States International, Inc. (Æ)	8,500	164	Exide Technologies (Æ)	8,000	110
Parker Drilling Co. (Æ)	5,800	23	Faro Technologies, Inc. (Æ)	7,600	237
Patina Oil & Gas Corp.	12,600	473	Flanders Corp. (Æ)	4,500	43
Patterson-UTI Energy, Inc.	24,200	471	Gardner Denver, Inc. (Æ)	9,800	356
Penn Virginia Corp.	3,700	150	Genlyte Group, Inc. (Æ)	1,400	120
Plains Exploration & Production Co. (Æ)	6,682	174	Goodrich Corp.	13,700	447
Pogo Producing Co.	7,400	359	Graco, Inc.	7,050	263
Premcor, Inc.	7,200	304	Hovnanian Enterprises, Inc. Class A (Æ)	1,000	50
Quicksilver Resources, Inc. (Æ)	3,000	110	IDEX Corp.	8,400	340
Range Resources Corp. (Ñ)	900	18	Imagistics International, Inc. (Æ)	6,200	209
Remington Oil & Gas Corp. (Æ)(Ñ)	1,500	41	Interface, Inc. Class A (Æ)	3,200	32
Smith International, Inc. (Æ)	3,900	212	Joy Global, Inc.	8,400	365
Stone Energy Corp. (Æ)	10,400	469	Lincoln Electric Holdings, Inc.	2,500	86
Superior Energy Services (Æ)	14,500	223	Manitowoc Co.	5,100	192
Swift Energy Co. (Æ)	6,083	176	Mattson Technology, Inc. (Æ)	13,000	146
Todco Class A (Æ)	9,300	171	MDC Holdings, Inc.	4,820	417
Unit Corp. (Æ)	1,500	57	Measurement Specialties, Inc. (Æ)(Ñ)	7,584	193
Universal Compression Holdings, Inc. (Æ)	11,600	405	Mettler Toledo International, Inc. (Æ)	5,800	298
Veritas DGC, Inc. (Æ)	28,800	645	Middleby Corp. (Ñ)	1,600	81
Whiting Petroleum Corp. (Æ)	6,800	206	Milacron, Inc. (Æ)	25,545	87
		10,058	Mine Safety Appliances Co.	2,300	117
Producer Durables - 6.4%			MTS Systems Corp.	10,600	358
Actuant Corp. Class A (Æ)	4,200	219	NACCO Industries, Inc. Class A	2,900	306
American Tower Corp. Class A (Æ)	13,500	248	Nanometrics, Inc. (Æ)(Ñ)	3,200	52
AO Smith Corp.	6,300	189	Nordson Corp.	3,700	148
ARGON ST, Inc. (Æ)	2,300	82	Orbital Sciences Corp. (Æ)(Ñ)	7,500	89
Arris Group, Inc. (Æ)	42,400	298	Pall Corp.	9,400	272
Artesyn Technologies, Inc. (Æ)	17,700	200	Paxar Corp. (Æ)	3,100	69
ASV, Inc. (Æ)	3,400	163	Pentair, Inc.	1,680	73
Belden CDT, Inc.	5,700	132	Photon Dynamics, Inc. (Æ)(Ñ)	9,600	233
Blount International, Inc. (Æ)	4,500	78	Photronics, Inc. (Æ)	7,200	119
Briggs & Stratton Corp.	7,200	299	Powerwave Technologies, Inc. (Æ)	10,000	85
C&D Technologies, Inc.	2,900	49	RAE Systems, Inc. (Æ)(Ñ)	30,900	226
C-COR, Inc. (Æ)	10,200	95	Rayovac Corp. (Æ)	900	28
Centex Corp.	400	24	Rofin-Sinar Technologies, Inc. (Æ)	14,900	633
CNH Global NV	8,540	165	Roper Industries, Inc.	2,000	122
Cognex Corp.	6,200	173	Spatialight, Inc. (Æ)(Ñ)	42,747	383
Cohu, Inc.	3,200	59	Standard-Pacific Corp.	6,300	404
CTS Corp. (Ñ)	3,400	45	Steelcase, Inc. Class A (Ñ)	5,600	78
Curtiss-Wright Corp.	1,000	57	Symmetricom, Inc. (Æ)	12,800	124
Cymer, Inc. (Æ)	8,500	251	Technical Olympic USA, Inc.	2,600	66
Dionex Corp. (Æ)	1,700	96	Tecumseh Products Co. Class A	3,000	143
Dominion Homes, Inc. (Æ)	700	18	Teledyne Technologies, Inc. (Æ)	4,600	135
			Terex Corp. (Æ)	4,700	224
			Toll Brothers, Inc. (Æ)	2,000	137
			United Defense Industries, Inc. (Æ)	4,000	189

Russell Investment Funds

Aggressive Equity Fund

Schedule of Investments, continued — December 31, 2004

Amounts in thousands (except share amounts)

	Principal Amount (\$) or Shares	Market Value \$		Principal Amount (\$) or Shares	Market Value \$
Woodward Governor Co.	800	57	Enterasys Networks, Inc. (Æ)	23,900	43
Xyratex, Ltd. (Æ)	16,100	265	Epicor Software Corp. (Æ)	16,500	233
		12,601	Equinix, Inc. (Æ)(Ñ)	15,400	658
Technology - 14.9%			Fairchild Semiconductor International, Inc. (Æ)	15,200	247
Axiom Corp.	14,300	376	Filenet Corp. (Æ)	5,000	129
ADC Telecommunications, Inc. (Æ)	68,000	182	Formfactor, Inc. (Æ)	7,600	206
Aeroflex, Inc. (Æ)	28,100	341	Gateway, Inc. (Æ)	36,900	222
Agile Software Corp. (Æ)	48,200	394	ID Systems, Inc. (Æ)(Ñ)	13,900	259
Aladdin Knowledge Systems (Æ)(Ñ)	4,300	106	II-VI, Inc.	9,200	391
Alliance Semiconductor Corp. (Æ)	12,200	45	Imergent, Inc. (Æ)	9,700	147
Alloy, Inc. (Æ)(Ñ)	4,300	35	Infocrossing, Inc. (Æ)(Ñ)	10,900	185
Alvarion, Ltd. (Æ)	3,300	44	InFocus Corp. (Æ)	19,300	177
Anixter International, Inc.	19,900	716	Informatica Corp. (Æ)	29,200	237
Anteon International Corp. (Æ)	5,600	234	Ingram Micro, Inc. Class A (Æ)	27,400	570
Applera Corp. - Applied Biosystems Group	7,100	148	Innovative Solutions & Support, Inc. (Æ)(Ñ)	10,253	342
Applied Micro Circuits Corp. (Æ)	24,700	104	Integrated Device Technology, Inc. (Æ)	41,700	482
Ariba, Inc. (Æ)	33,200	551	Intergraph Corp. (Æ)	12,900	347
Ascential Software Corp. (Æ)	20,400	333	International Rectifier Corp. (Æ)	3,800	169
AsiaInfo Holdings, Inc. (Æ)	4,900	29	Internet Security Systems (Æ)	19,300	449
ATI Technologies, Inc. (Æ)	35,200	683	Intersil Corp. Class A	14,400	241
Atmel Corp. (Æ)	17,900	70	Interwoven, Inc. (Æ)	3,200	35
Audible, Inc. (Æ)(Ñ)	4,600	120	Jupitermedia Corp. (Æ)	17,700	421
Avaya, Inc. (Æ)	26,700	459	Keane, Inc. (Æ)	11,500	169
Avnet, Inc. (Æ)	15,000	274	Keynote Systems, Inc. (Æ)	10,300	143
Avocent Corp. (Æ)	5,100	207	Kongzhong Corp. Class R (Æ)(Ñ)	16,300	157
AVX Corp. (Ñ)	7,300	92	LeCroy Corp. (Æ)	1,000	23
Business Objects SA - ADR (Æ)	8,800	223	Lions Gate Entertainment Corp. (Æ)(Ñ)	18,000	191
CACI International, Inc. Class A (Æ)	1,400	95	M-Systems Flash Disk Pioneers (Æ)(Ñ)	7,200	142
Cadence Design Systems, Inc. (Æ)	2,900	40	Macromedia, Inc. (Æ)	13,000	405
CallWave, Inc. (Æ)	12,800	198	Macrovision Corp. (Æ)	4,000	103
Ceridian Corp. (Æ)	11,600	212	Manhattan Associates, Inc. (Æ)	4,600	110
Cirrus Logic, Inc. (Æ)(Ñ)	5,800	32	Matrixone, Inc. (Æ)	73,700	483
Cognos, Inc. (Æ)	10,200	449	Maxtor Corp. (Æ)	62,800	333
CommScope, Inc. (Æ)	12,700	240	MEMC Electronic Materials, Inc. (Æ)	12,600	167
Comtech Telecommunications Corp. (Æ)(Ñ)	8,300	312	Mercury Computer Systems, Inc. (Æ)	12,900	383
Converse Technology, Inc. (Æ)	19,100	467	Mercury Interactive Corp. (Æ)	5,100	232
Concurrent Computer Corp. (Æ)	8,200	23	Methode Electronics, Inc.	17,100	220
Cree, Inc. (Æ)(Ñ)	27,600	1,106	Micros Systems, Inc. (Æ)	4,900	383
Digi International, Inc.	2,600	45	Microsemi Corp. (Æ)	10,900	189
Digital River, Inc. (Æ)(Ñ)	18,700	778	Moldflow Corp. (Æ)	2,200	35
Diodes, Inc. (Æ)	8,600	195	MRV Communications, Inc. (Æ)(Ñ)	22,300	82
Ditech Communications Corp. (Æ)	4,700	70	MSC Software Corp. (Æ)(Ñ)	13,100	137
DRS Technologies, Inc. (Æ)(Ñ)	12,800	547	Multi-Fineline Electronix, Inc. (Æ)(Ñ)	9,600	175
E.piphany, Inc. (Æ)	22,500	109	National Instruments Corp.	2,750	75
EDO Corp.	8,300	264	Novatel Wireless, Inc. (Æ)(Ñ)	6,700	130
			Nvidia Corp. (Æ)	1,500	35
			Open Solutions, Inc. (Æ)	17,650	458

Russell Investment Funds

Aggressive Equity Fund

Schedule of Investments, continued — December 31, 2004

Amounts in thousands (except share amounts)

	Principal Amount (\$) or Shares	Market Value \$		Principal Amount (\$) or Shares	Market Value \$
Oplink Communications, Inc. (Æ)	10,200	20	Utilities - 3.2%		
Parametric Technology Corp. (Æ)	41,400	244	AGL Resources, Inc.	8,200	273
Pec Solutions, Inc. (Æ)(Ñ)	3,700	52	Allete, Inc.	1,900	70
PerkinElmer, Inc.	15,700	353	Aquila, Inc. (Æ)(Ñ)	64,600	238
Pinnacle Systems, Inc. (Æ)	13,500	82	Avista Corp.	2,000	35
PMC - Sierra, Inc. (Æ)	11,500	129	Boston Communications Group (Æ)	4,800	44
Quantum Corp. (Æ)(Ñ)	79,600	209	Centerpoint Energy, Inc.	9,800	111
Quest Software, Inc. (Æ)	14,700	235	CMS Energy Corp. (Æ)	13,000	136
Radisys Corp. (Æ)	7,600	149	Commonwealth Telephone Enterprises, Inc. (Æ)	3,300	164
RADWARE, Ltd. (Æ)	3,000	78	Dobson Communications Corp. Class A (Æ)	16,500	29
Redback Networks, Inc. (Æ)(Ñ)	9,800	53	Energen Corp.	11,300	666
Sandisk Corp. (Æ)	2,900	72	Laclede Group, Inc. (The)	1,000	31
Sapient Corp. (Æ)	10,500	83	MDU Resources Group, Inc.	8,200	219
Scansource, Inc. (Æ)	1,900	118	NII Holdings, Inc. (Æ)(Ñ)	1,800	86
Seachange International, Inc. (Æ)(Ñ)	10,400	181	Northeast Utilities	40,300	760
Semtech Corp. (Æ)	14,500	317	Northwest Natural Gas Co.	1,700	57
Siebel Systems, Inc. (Æ)	28,700	301	NSTAR	4,700	255
Sigmatel, Inc. (Æ)	10,050	357	OGE Energy Corp.	8,700	231
Silicon Image, Inc. (Æ)	14,000	230	Pinnacle West Capital Corp.	2,800	124
SimpleTech, Inc. (Æ)	5,200	24	PTEK Holdings, Inc. (Æ)	18,300	196
Skyworks Solutions, Inc. (Æ)	15,000	141	Quantum Fuel Systems Technologies Worldwide, Inc. (Æ)(Ñ)	3,500	21
Spectrasite, Inc. (Æ)	7,700	446	SEMCO Energy, Inc.	3,900	21
SS&C Technologies, Inc.	13,700	283	Sierra Pacific Resources (Æ)(Ñ)	44,400	466
Stratsys, Inc. (Æ)	3,400	114	South Jersey Industries, Inc.	800	42
Sycamore Networks, Inc. (Æ)	10,200	41	Southwest Gas Corp.	2,100	53
SYKES Enterprises, Inc. (Æ)	2,200	15	Southwestern Energy Co. (Æ)	3,300	167
Symbol Technologies, Inc.	17,100	296	Ubiquitel, Inc. (Æ)	9,800	70
Synaptics, Inc. (Æ)	2,500	76	UGI Corp.	13,800	565
SYNNEX Corp. (Æ)	1,600	39	UnitedGlobalCom, Inc. Class A (Æ)(Ñ)	25,900	250
Tekelec (Æ)	7,000	143	US Cellular Corp. (Æ)	11,000	492
Tellabs, Inc. (Æ)	12,100	104	USA Mobility, Inc. (Æ)	1,700	60
TIBCO Software, Inc. (Æ)	12,800	171	Western Gas Resources, Inc.	1,300	38
Transaction Systems Architects, Inc. Class A (Æ)	4,000	79	Western Wireless Corp. Class A (Æ)	3,100	91
Unisys Corp. (Æ)	17,400	177	WGL Holdings, Inc.	2,800	86
Ustarcom, Inc. (Æ)(Ñ)	6,600	146	WPS Resources Corp.	100	6
Verity, Inc. (Æ)	6,300	83			
WatchGuard Technologies (Æ)	2,300	10			
Wavecom SA - ADR (Æ)	10,800	78			
WebMethods, Inc. (Æ)	3,000	22			
Websense, Inc. (Æ)	21,500	1,091			
Western Digital Corp. (Æ)	22,200	241			
Zhone Technologies, Inc. (Æ)	10,400	27			
		<u>29,208</u>	Total Common Stocks		<u>6,153</u>
			(cost \$153,430)		<u>187,051</u>

Russell Investment Funds

Aggressive Equity Fund

Schedule of Investments, continued — December 31, 2004

Amounts in thousands (except share amounts)

	Principal Amount (\$) or Shares	Market Value \$
Short-Term Investments - 4.5%		
Frank Russell Investment Company		
Money Market Fund	8,047,000	8,047
United States Treasury Bill (2)(\$)		
2.244% due 03/17/05	700	<u>696</u>
Total Short-Term Investments		
(cost \$8,744)		<u>8,743</u>
Warrants & Rights - 0.0%		
Dime Bancorp.		
2005 Warrants (Æ)	35,400	<u>6</u>
Total Warrants & Rights		
(cost \$8)		<u>6</u>
Other Securities - 11.3%		
State Street Securities Lending Quality		
Trust (X)	22,022,331	<u>22,022</u>
Total Other Securities		
(cost \$22,022)		<u>22,022</u>
Total Investments - 111.4%		
(identified cost \$184,204)		217,822
Other Assets and Liabilities, Net - (11.4%)		<u>(22,239)</u>
Net Assets - 100.0%		<u><u>195,583</u></u>

See accompanying notes which are an integral part of the financial statements.

Russell Investment Funds

Aggressive Equity Fund

Schedule of Investments, continued — December 31, 2004

Amounts in thousands

Futures Contracts (Number of Contracts)	Notional Amount \$	Unrealized Appreciation (Depreciation) \$	Portfolio Summary (Unaudited)	% of Net Assets
Long Positions			Auto and Transportation	5.3
Russell 2000 E-Mini Index			Consumer Discretionary	19.0
expiration date 03/05 (100)	6,540	261	Consumer Staples	1.9
Russell 2000 Index			Financial Services	19.4
expiration date 03/05 (2)	654	14	Health Care	10.7
S&P 500 E-Mini Index			Materials and Processing	9.1
expiration date 03/05 (1)	61	1	Miscellaneous	0.6
S&P 500 Index			Other Energy	5.1
expiration date 03/05 (4)	1,214	6	Producer Durables	6.4
Total Unrealized Appreciation (Depreciation) on Open Futures Contracts		<u>282</u>	Technology	14.9
			Utilities	3.2
			Short-Term Investments	4.5
			Warrants & Rights	—*
			Other Securities	<u>11.3</u>
			Total Investments	111.4
			Other Assets and Liabilities, Net	<u>(11.4)</u>
			Net Assets	<u>100.0</u>
			Futures Contracts	0.1

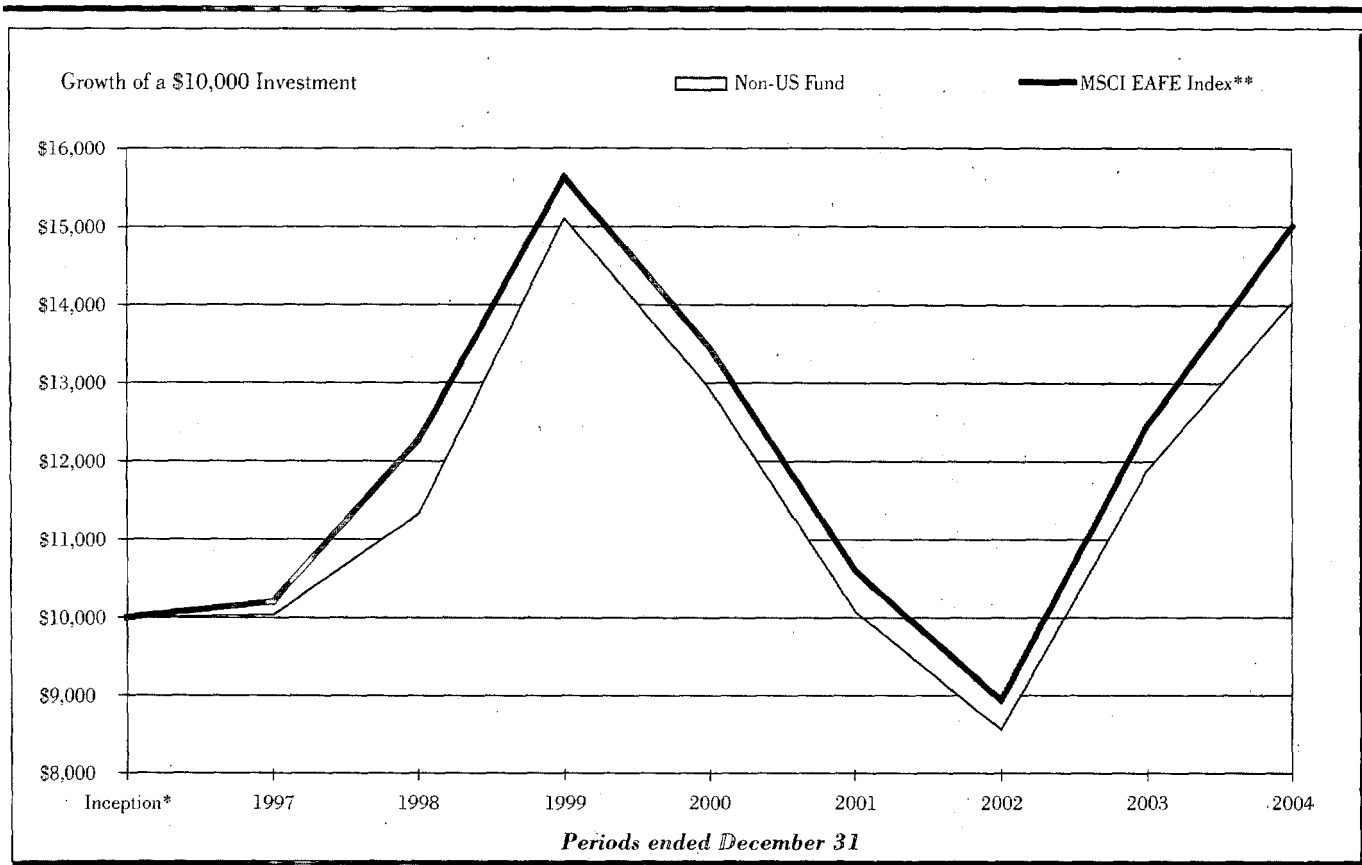
* Less than .05%

See accompanying notes which are an integral part of the financial statements.

Russell Investment Funds

Non-U.S. Fund

Portfolio Management Discussion — December 31, 2004 (Unaudited)



Non-U.S. Fund

Periods Ended 12/31/04	Growth of \$10,000	Total Return
1 Year	\$ 11,830	18.30%
5 Years	\$ 9,295	(1.45)%§
Inception	\$ 14,043	4.34% §

MSCI EAFE Index

Periods Ended 12/31/04	Growth of \$10,000	Total Return
1 Year	\$ 12,070	20.70%
5 Years	\$ 9,605	(0.80)%§
Inception	\$ 15,015	5.21% §

Russell Investment Funds

Non-U.S. Fund

Portfolio Management Discussion, continued — December 31, 2004 (Unaudited)

What is the Fund's investment objective?

The Fund seeks to provide long term capital growth.

How did the Fund perform relative to its benchmark for the fiscal year ended December 31, 2004?

For the fiscal year ended December 31, 2004, the Non-U.S. Fund gained 18.30%. This compared to its benchmark, the MSCI EAFE Index, which gained 20.70%. The Fund's performance is net of operating expenses of 1.15%. Index returns do not reflect deduction for fees or expenses. Index returns do not include fair valuation adjustments which may be included in fund returns.

How did the market conditions, as described starting on page 4 of this report, affect the Fund's performance?

The Fund's money managers maintained investment disciplines. The money managers' analysis of fundamentals frequently supported continued investment in companies they believed most likely to benefit from improving economic trends. Money managers often favored companies undergoing restructuring activity which they believed would lead to market recognition. Money managers increased exposure to Japan over the course of the year, moving from a modest underweight to a modest overweight. Investments in the markets of the Pacific region, particularly in Hong Kong-listed companies, were generally predicated on the expectation that recovering U.S. economic activity and strong growth in China would lead to earnings-driven gains in the Pacific region markets. The Fund's more momentum-driven money managers, whose strategies rely on positive (or negative) pricing trends as a signal of the market's increased (or decreased) interest in a stock, country or sector, rotated into several stocks and/or sectors experiencing positive pricing trends. However, frequent rotations in market leadership in response to new developments, including economic and political news, proved frustrating for momentum-driven decisions. This environment was not favorable for investment strategies relying on the persistence of price movements. This had a particularly negative affect on Oechsle's results during the year, but also negatively impacted the other money managers' results to a lesser degree.

What were the primary contributors and detractors to the Fund's performance during the last 12 months?

The Fund's emphasis on stocks with above-average forecasted long-term earnings growth and positive price momentum

proved ineffective and detracted from Fund performance relative to benchmark. This was reflected in the Fund's limited effectiveness in stock selection, which accounted for most of the Fund's shortfall relative to the benchmark. However, sector and country allocations also contributed to the Fund's underperformance. From a sector perspective, an underweight to utilities and consumer staples stocks, and a modest overweight to the technology sector contributed to the underperformance relative to the benchmark. In addition, the Fund's overweight to more cyclical regions, Hong Kong and Japan in particular, and underweight to Australia and the United Kingdom were also detractors from performance.

How did the investment strategies and techniques employed by the Fund and its money managers affect its performance?

The Fund maintained a style-balanced profile over the period. This proved critical given the poor market climate for growth style investing. Growth stocks generally lagged value stocks during the year. The MSCI EAFE Value Index gained 24.88% in US dollars and the MSCI EAFE Growth Index gained 16.48% for the year ended December 31, 2004.

Strategic constraints on the Fund's country and sector positioning limited the impact on Fund results. From a country perspective, underweight positions in Australia and Austria resulted in an opportunity cost given strong gains in these two markets. An overweight position in Germany also detracted from Fund performance given that market's weak performance.

Overall sector positioning had a positive impact on performance.

Describe any changes to the Fund's structure or the money manager line-up.

The assignment for Oechsle International Advisors, LLC, one of the Fund's growth-oriented money managers, was changed in June from a moderate-risk investment strategy to a more concentrated, aggressive investment strategy. This change was made to attempt to capitalize on the strengths of Oechsle's research and to shift reliance for investment decision-making from a team of Oechsle's investment professionals to a single key individual.

Russell Investment Funds

Non-U.S. Fund

Portfolio Management Discussion, continued — December 31, 2004 (Unaudited)

Money Managers as of December 31, 2004	Styles		
		AQR Capital Management, LLC	Market-Oriented
		Fidelity Management & Research Company	Market-Oriented
		Oechsle International Advisors, LLC	Growth
		The Boston Company Asset Management, LLC	Value

* The Fund commenced operations on January 2, 1997. Index comparison began January 1, 1997.

** Morgan Stanley Capital International Europe, Australia, Far East (MSCI EAFE) Index is an index composed of an arithmetic, market value-weighted average of the performance of approximately 1,600 securities listed on the stock exchange of the countries of Europe, Australia, and the Far East. The index is calculated on a total-return basis, which includes reinvestment of gross dividends before deduction of withholding taxes.

§ Annualized.

Performance is historical and assumes reinvestment of all dividends and capital gains. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than when purchased. Past performance is not indicative of future results.

Investments in securities of non-US issuers and foreign currencies involve investment risks different from those of US issuers. The Prospectus contains further information and details regarding these risks.

Russell Investment Funds

Non-U.S. Fund

Shareholder Expense Example — December 31, 2004 (Unaudited)

Fund Expenses

The following disclosure provides important information regarding each Fund's Expense Example, which appears on each Fund's individual page in this Annual Report. Please refer to this information when reviewing the Expense Example for a Fund.

Example

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, and (2) ongoing costs, including management fees; and other Fund expenses. The 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 period and held for the entire period indicated, which for this Fund is from July 1, 2004 to December 31, 2004.

Actual Expenses

The information in the table under the heading "Actual Performance" provides information about actual account values and actual expenses. You may use the information in this column, 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 first column in the row entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The information in the table under the heading "Hypothetical Performance (5% return before expenses)" 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 other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs. Therefore, the information under the heading "Hypothetical Performance (5% return before expenses)" is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	Actual Performance	Hypothetical Performance (5% return before expenses)
Beginning Account Value July 1, 2004	\$ 1,000.00	\$ 1,000.00
Ending Account Value December 31, 2004	\$ 1,133.40	\$ 1,019.22
Expenses Paid During Period*	\$ 6.17	\$ 5.84

* Expenses are equal to the Fund's annualized expense ratio of 1.15%, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period). Reflects amounts waived and/or reimbursed by the investment adviser. Without the waiver and/or reimbursement, expenses would have been higher.

Russell Investment Funds

Non-U.S. Fund

Schedule of Investments — December 31, 2004

Amounts in thousands (except share amounts)

	Principal Amount (\$) or Shares	Market Value \$		Principal Amount (\$) or Shares	Market Value \$
Common Stocks - 92.7%					
Australia - 2.8%					
Ancor, Ltd.	96,322	555	Stockland	8,900	42
AMP Ltd.	43,000	245	Suncorp-Metway, Ltd.	3,800	52
Ansell, Ltd.	100	1	TABCORP Holdings, Ltd.	2,340	32
Australia & New Zealand Banking Group, Ltd.	28,817	465	Telstra Corp., Ltd.	5,300	20
Australian Gas Light Co., Ltd.	1,800	19	Wesfarmers, Ltd.	1,900	59
AXA Asia Pacific Holdings, Ltd.	13,600	44	Westfield Group (Æ)(Ñ)	41,656	536
BHP Billiton, Ltd.	58,064	698	Westpac Banking Corp.	11,900	182
Billabong International, Ltd. (Ñ)	10,100	91	WMC Resources, Ltd.	29,100	165
BlueScope Steel, Ltd.	9,400	61	Woodside Petroleum, Ltd.	2,100	33
Boral, Ltd.	9,300	50	Woolworths, Ltd.	3,300	39
Brambles Industries, Ltd.	2,100	11			<u>7,178</u>
CFS Gandel Retail Trust	23,400	29	Belgium - 1.0%		
Coca-Cola Amatil, Ltd.	2,300	15	Belgacom SA (Æ)	12,000	519
Coles Myer, Ltd.	6,800	53	Colruyt SA	2,433	395
Commonwealth Bank of Australia	8,400	211	Compagnie Maritime Belge SA (Ñ)	500	14
Commonwealth Property Office Fund	18,200	18	Delhaize Group	800	61
ConnectEast Group (Æ)	54,566	29	Dexia (Ñ)	3,300	76
CSL, Ltd.	11,002	252	Electrabel (Ñ)	107	48
CSR, Ltd.	24,300	51	Euronav NV (Ñ)	600	16
David Jones, Ltd. (Ñ)	23,600	41	Fortis	33,420	925
DB RREEF Trust	11,647	12	KBC Bancassurance Holding	1,000	77
Foster's Group, Ltd.	76,743	348	Mobistar SA (Æ)	3,800	356
Futuris Corp., Ltd.	6,700	11	Solvay SA Class A	500	55
General Property Trust	30,500	89	Umicore	100	9
Iluka Resources, Ltd.	4,300	21			<u>2,551</u>
ING Industrial Fund	10,200	17	Brazil - 0.3%		
Insurance Australia Group, Ltd.	14,600	74	Petroleo Brasileiro SA - ADR (Ñ)	10,320	414
Lend Lease Corp., Ltd.	600	6	Telecomunicacoes Brasileiras SA - ADR (Ñ)	12,400	399
Lion Nathan, Ltd.	6,300	42			<u>813</u>
Macquarie Bank, Ltd.	6,400	233	China - 0.5%		
Macquarie Goodman Industrial Trust	1,400	3	China Petroleum & Chemical Corp. Class A	1,692,000	691
Macquarie Infrastructure Group	6,200	17	PetroChina Co., Ltd.	1,324,000	707
National Australia Bank, Ltd.	43,275	978	ZTE Corp. Class H	7,000	23
Newcrest Mining, Ltd.	100	1			<u>1,421</u>
OneSteel, Ltd.	20,900	42	Denmark - 0.6%		
Orica, Ltd.	3,600	57	AP Moller - Maersk A/S Class B	1	8
Origin Energy, Ltd.	5,600	30	Danske Bank A/S	28,190	864
PaperlinX, Ltd.	26,500	98	East Asiatic Co., Ltd. A/S	600	31
Promina Group, Ltd.	68,188	289	ISS A/S	2,900	162
Publishing & Broadcasting, Ltd.	6,720	92	Novo-Nordisk A/S Class B	8,484	464
QBE Insurance Group, Ltd.	27,835	335			
Rinker Group, Ltd.	27,736	232			
Rio Tinto, Ltd.	800	25			
Santos, Ltd.	4,000	27			
Sons of Gwalia, Ltd. (Å)	8,400	—			

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Amounts in thousands (except share amounts)

	Principal Amount (\$) or Shares	Market Value \$		Principal Amount (\$) or Shares	Market Value \$
TDC A/S	1,500	64	Valeo SA (Ñ)	19,200	804
William Demant Holding (Æ)	400	19	Vinci SA (Ñ)	1,900	255
		1,612	Vivendi Universal SA (Æ)	73,565	2,349
			Zodiac SA	1,200	56
					24,535
Finland - 1.1%					
Elisa Corp. Class S (Æ)	600	10			
Fortum OYJ	42,600	789	Germany - 5.2%		
Kone OYJ Class B	200	16	Adidas-Salomon AG (Ñ)	7,107	1,147
M-real OYJ Class S	82,600	528	Allianz AG	8,300	1,101
Nokia OYJ	26,700	422	AMB Generali Holding AG	300	24
Nokia OYJ - ADR (Ñ)	20,408	322	BASF AG	2,600	187
Nokian Renkaat OYJ	200	30	Bayer AG	2,000	68
Orion OYJ Class B	2,300	37	Bayerische Hypo-und Vereinsbank AG	2,400	54
Sampo OYJ	4,800	66	Celesio AG	2,600	211
Stora Enso OYJ Class R	300	5	Commerzbank AG (Æ)	3,300	68
UPM-Kymmene OYJ	26,369	586	Continental AG	9,900	629
		2,811	DaimlerChrysler AG	2,600	125
			Deutsche Bank AG	6,089	541
			Deutsche Boerse AG	13,687	824
			Deutsche Lufthansa AG	30,477	437
			Deutsche Post AG	47,140	1,083
			Deutsche Postbank AG	7,300	322
			Deutsche Telekom AG (Æ)	55,000	1,245
			E.ON AG	17,693	1,613
			Fresenius Medical Care AG	2,200	177
			Hannover Rueckversicherung AG	2,500	98
			Heidelberger Druckmaschinen (Æ)(Ñ)	10,000	340
			Infineon Technologies AG (Æ)	6,600	72
			KarstadtQuelle AG (Ñ)	31,888	329
			MAN AG	7,700	297
			Medion AG (Ñ)	7,500	158
			Merck KGaA	4,400	303
			Metro AG (Ñ)	1,700	93
			MG Technologies AG (Æ)	1,200	14
			MLP AG (Ñ)	600	12
			Muenchener Rueckversicherungs AG	940	116
			Puma AG Rudolf Dassler Sport	1,035	285
			SAP AG	192	34
			Schering AG	1,712	128
			Siemens AG	4,100	348
			ThyssenKrupp AG	3,000	66
			TUI AG	8,800	208
			Volkswagen AG (Ñ)	17,300	784
					13,541
France - 9.5%					
Alcatel SA (Æ)	100	2			
AXA (Ñ)	25,589	632			
BNP Paribas (Ñ)	30,084	2,180			
Carrefour SA (Ñ)	18,950	903			
Christian Dior SA	3,300	224			
Cie de Saint-Gobain (Ñ)	4,700	283			
CNP Assurances (Ñ)	5,910	423			
Credit Agricole SA	15,363	464			
Eiffage	166	19			
France Telecom SA	59,033	1,955			
Groupe Danone	60	6			
L'Oreal SA	13,677	1,038			
Lafarge SA (Ñ)	13,302	1,284			
Lagardere S.C.A. (Ñ)	12,557	906			
Pernod-Ricard (Ñ)	8,240	1,262			
Peugeot SA (Ñ)	5,700	362			
Renault SA	800	67			
Sanofi-Aventis	26,441	2,113			
Schneider Electric SA (Ñ)	10,290	716			
Societe Assurances Generales de France	1,000	75			
Societe BIC SA (Ñ)	800	40			
Societe Generale (Ñ)	7,800	789			
Suez SA (Ñ)	9,800	261			
Thomson (Ñ)	22,471	594			
Total SA (Ñ)	16,121	3,521			
Total SA - ADR	8,716	952			

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Schedule of Investments, continued — December 31, 2004

Amounts in thousands (except share amounts)

	Principal Amount (\$) or Shares	Market Value \$		Principal Amount (\$) or Shares	Market Value \$
Greece - 0.4%			Ireland - 0.7%		
Cosmote Mobile Telecommunications SA	17,100	342	Bank of Ireland	70,888	1,172
EFG Eurobank Ergasias SA	11,700	402	CRH PLC	23,200	621
OPAP SA	14,250	394			1,793
		<u>1,138</u>			
Hong Kong - 1.2%			Italy - 5.0%		
Bank of East Asia, Ltd.	147,145	457	Arnoldo Mondadori Editore SpA	6,200	72
BOC Hong Kong Holdings, Ltd. (Ñ)	22,000	42	Autostrade SpA	18,200	487
Cathay Pacific Airways, Ltd.	12,000	23	Banca Intesa SpA (Ñ)	80,303	386
Cheung Kong Holdings, Ltd.	29,000	290	Banche Popolari Unite SCRL	18,583	378
China Mobile Hong Kong, Ltd.	141,000	478	Banco Popolare di Verona e Novara SCRL (Æ)	29,370	597
Citic Pacific, Ltd.	39,500	112	Benetton Group SpA (Ñ)	27,455	363
CLP Holdings, Ltd.	35,500	204	Enel SpA	110,317	1,084
Esprit Holdings, Ltd.	25,000	151	ENI SpA (Ñ)	169,427	4,242
Giordano International, Ltd.	4,000	2	Finmeccanica SpA	672,140	609
Hang Seng Bank, Ltd.	2,800	39	Fondiarria-Sai SpA (Ñ)	7,600	205
Henderson Land Development Co., Ltd. (Ñ)	3,000	16	Gruppo Editoriale L'Espresso SpA (Ñ)	3,100	19
HongKong Electric Holdings	9,000	41	Hera SpA	18,300	53
Hopewell Holdings	15,000	38	Italcementi SpA (Ñ)	9,300	150
Hutchison Telecommunications International, Ltd. (Æ)	20,000	18	Lottomatica SpA	1,800	66
Hutchison Whampoa, Ltd.	33,000	309	Mediaset SpA	18,300	232
Kerry Properties, Ltd.	13,500	29	Milano Assicurazioni SpA	10,500	59
Li & Fung, Ltd.	42,000	71	Parmalat Finanziaria SpA (Æ)	12,500	2
MTR Corp.	18,500	30	Pirelli & C SpA	10,800	15
New World Development, Ltd.	30,000	34	Riunione Adriatica di Sicurtà SpA	15,562	352
Orient Overseas International, Ltd.	8,000	30	Sanpaolo IMI SpA	11,905	171
PCCW, Ltd.	278,000	176	Snam Rete Gas SpA	59,400	346
Shangri-La Asia, Ltd. (Ñ)	14,000	21	Telecom Italia Media SpA (Æ)(Ñ)	71,400	32
Sino Land Co.	16,000	16	Telecom Italia SpA	501,245	1,864
Sun Hung Kai Properties, Ltd.	5,000	50	UniCredito Italiano SpA	182,100	1,047
Swire Pacific, Ltd.	26,000	217			<u>12,831</u>
Techtronic Industries Co.	43,000	94	Japan - 21.6%		
Wharf Holdings, Ltd.	41,000	143	77 Bank, Ltd. (The)	85,200	599
		<u>3,131</u>	Acom Co., Ltd.	430	32
Indonesia - 0.3%			Aeon Co., Ltd.	13,100	219
Telekomunikasi Indonesia Tbk PT - ADR	11,905	248	Aiful Corp.	300	33
Telekomunikasi Indonesia Tbk PT	939,500	488	Aioi Insurance Co., Ltd.	15,000	69
		<u>736</u>	Aisin Seiki Co., Ltd.	10,900	276
			All Nippon Airways Co., Ltd. (Ñ)	9,000	31
			Alps Electric Co., Ltd.	26,900	401
			Amano Corp.	2,000	20
			Aoyama Trading Co., Ltd.	500	14
			Arrk Corp.	2,700	111
			Asahi Breweries, Ltd. (Ñ)	4,500	56
			Asahi Glass Co., Ltd.	37,000	408
			Asahi Kasei Corp.	9,000	45

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Schedule of Investments, continued — December 31, 2004

Amounts in thousands (except share amounts)

	Principal Amount (\$) or Shares	Market Value \$		Principal Amount (\$) or Shares	Market Value \$
Autobacs Seven Co., Ltd. (Ñ)	600	18	Hitachi Software Engineering Co., Ltd.	300	7
Bandai Visual Co., Ltd.	4	11	Hitachi Zosen Corp. (Æ)	14,000	21
Bank of Fukuoka, Ltd. (The)	2,000	13	Hitachi, Ltd.	19,000	132
Bank of Yokohama, Ltd. (The)	11,000	69	Hokkaido Electric Power Co., Inc.	1,300	26
Benesse Corp.	800	28	Hokuhoku Financial Group, Inc.	38,000	104
Bridgestone Corp.	14,000	279	Honda Motor Co., Ltd.	26,400	1,368
Canon, Inc.	27,500	1,484	Hoya Corp.	2,100	237
Central Glass Co., Ltd.	4,000	28	Isuzu Motors, Ltd. (Æ)(Ñ)	19,000	56
Chiba Bank, Ltd. (The)	11,000	74	Ito-Yokado Co., Ltd.	6,400	269
Chubu Electric Power Co., Inc.	5,300	127	Itochu Corp.	16,000	74
Citizen Watch Co., Ltd.	8,000	77	Japan Radio Co., Ltd. (Æ)(Ñ)	12,000	46
Cosmo Oil Co., Ltd.	15,000	44	Japan Tobacco, Inc.	18	206
Credit Saison Co., Ltd.	23,900	870	JFE Holdings, Inc.	3,700	106
CSK Corp.	400	18	Joyo Bank, Ltd. (The)	8,000	39
D&M Holdings, Inc. (Æ)	20,000	49	Kadokawa Holdings, Inc.	4,800	199
Dai Nippon Printing Co., Ltd.	1,000	16	Kamigumi Co., Ltd. (Ñ)	14,000	112
Daihatsu Motor Co., Ltd.	5,000	40	Kaneka Corp.	13,000	147
Daiichi Pharmaceutical Co., Ltd.	400	9	Kansai Electric Power Co., Inc. (The)	9,300	189
Daikin Industries, Ltd.	6,400	185	Kao Corp.	24,000	614
Daimaru, Inc.	6,000	49	Kawasaki Heavy Industries, Ltd. (Ñ)	14,000	23
Dainippon Ink and Chemicals, Inc.	2,000	5	Kawasaki Kisen Kaisha, Ltd.	10,000	64
Dainippon Pharmaceutical Co., Ltd.	1,000	10	KDDI Corp.	172	927
Dainippon Screen Manufacturing Co., Ltd.	7,000	43	Keihin Corp.	1,400	23
Daito Trust Construction Co., Ltd.	800	38	Keio Electric Railway Co., Ltd.	12,000	70
Daiwa House Industry Co., Ltd.	18,000	205	Keyence Corp.	600	134
Daiwa Securities Group, Inc.	40,000	289	Kobe Steel, Ltd.	5,000	8
Dentsu, Inc.	163	439	Koei Co., Ltd.	3,400	85
Disco Corp.	100	5	Komatsu, Ltd.	3,000	21
Don Quijote Co., Ltd. (Ñ)	2,400	122	Konica Minolta Holdings, Inc.	30,000	398
eAccess, Ltd. (Æ)	25	22	Kubota Corp.	14,000	69
East Japan Railway Co.	72	401	Kuraray Co., Ltd.	44,700	401
Eisai Co., Ltd.	1,100	36	Kyocera Corp.	1,600	123
FamilyMart Co., Ltd.	1,000	29	Kyushu Electric Power Co., Inc.	4,000	81
Fast Retailing Co., Ltd.	3,100	236	Lawson, Inc.	12,600	465
Fuji Electric Holdings Co., Ltd.	4,000	11	Leopalace21 Corp.	500	9
Fuji Heavy Industries, Ltd.	80,400	392	Livedoor Co., Ltd. (Æ)	1,243	5
Fuji Machine Manufacturing Co., Ltd.	4,800	47	Mabuchi Motor Co., Ltd.	8,300	599
Fuji Photo Film Co., Ltd.	19,100	697	Makita Corp. (Ñ)	3,000	52
Fujisawa Pharmaceutical Co., Ltd.	700	19	Mars Engineering Corp.	2,200	74
Fujitsu, Ltd.	48,000	312	Marubeni Corp.	27,000	75
Funai Electric Co., Ltd.	3,300	410	Matsumotokiyoshi Co., Ltd.	16,700	476
Global Media Online, Inc.	800	19	Matsushita Electric Industrial Co., Ltd.	35,000	555
Hachijuni Bank, Ltd. (The)	2,000	14	MEDICEO Holdings Co., Ltd. (Ñ)	500	6
Hankyu Department Stores	3,000	22	Meiji Dairies Corp.	8,000	47
HIS Co., Ltd.	4,300	84	Meitec Corp.	2,500	93
Hitachi Cable, Ltd.	16,000	75	Millea Holdings, Inc.	7	104
Hitachi Chemical Co., Ltd.	2,900	52	Minebea Co., Ltd.	119,000	519
Hitachi Kokusai Electric, Inc.	8,000	70	Mitsubishi Chemical Corp.	21,000	64
			Mitsubishi Corp.	4,700	61

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Schedule of Investments, continued — December 31, 2004

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	Principal Amount (\$) or Shares	Market Value \$		Principal Amount (\$) or Shares	Market Value \$
Mitsubishi Electric Corp.	14,000	69	Olympus Corp.	20,900	446
Mitsubishi Estate Co., Ltd.	112,000	1,312	Ono Pharmaceutical Co., Ltd.	400	22
Mitsubishi Gas Chemical Co., Inc.	4,000	19	ORIX Corp.	15,600	2,119
Mitsubishi Heavy Industries, Ltd.	22,000	62	Parco Co., Ltd.	11,000	65
Mitsubishi Materials Corp.	7,000	15	Promise Co., Ltd.	250	18
Mitsubishi Rayon Co., Ltd.	43,000	157	Rengo Co., Ltd.	2,000	9
Mitsubishi Securities Co., Ltd. (N)	16,000	175	Renown D'urban Holdings, Inc. (Æ)	4,100	35
Mitsubishi Tokyo Financial Group, Inc.	160	1,624	Resona Holdings, Inc.	14,000	28
Mitsui & Co., Ltd.	36,000	323	Ricoh Co., Ltd. (N)	22,000	424
Mitsui Engineering & Shipbuilding Co., Ltd.	21,000	36	Rinnai Corp.	21,600	580
Mitsui Fudosan Co., Ltd.	25,000	304	Rohm Co., Ltd.	6,900	714
Mitsui OSK Lines, Ltd.	16,000	96	Sanken Electric Co., Ltd.	10,000	131
Mitsui Sumitomo Insurance Co., Ltd.	8,000	69	Sankyo Co., Ltd.	7,400	220
Mitsui Trust Holdings, Inc.	12,000	120	Sanyo Electric Co., Ltd.	23,000	79
Mizuho Financial Group, Inc.	149	750	Sega Sammy Holdings, Inc. (Æ)	784	43
Murata Manufacturing Co., Ltd.	8,400	470	Seino Transportation Co., Ltd.	5,000	47
Namco, Ltd.	2,000	26	Sekisui House, Ltd.	50,800	592
NEC Corp.	33,000	205	Senshukai Co., Ltd.	4,000	34
NEC System Intergration & Construction, Ltd.	700	6	SFCG Co., Ltd. (N)	820	207
NET One Systems Co., Ltd.	43	179	Shimachu Co., Ltd.	900	22
Nichirei Corp.	1,000	4	Shin-Etsu Chemical Co., Ltd. Class D	18,500	758
Nidec Copal Corp. (N)	4,100	65	Shinko Electric Industries	2,900	89
Nidec Corp.	1,200	146	Shiseido Co., Ltd.	24,900	361
Nikko Cordial Corp.	5,000	27	Showa Shell Sekiyu KK	4,800	44
Nintendo Co., Ltd.	400	50	SKY Perfect Communications, Inc.	144	156
Nippon Electric Glass Co., Ltd. (N)	8,000	205	Skylark Co., Ltd.	31,700	545
Nippon Express Co., Ltd.	184,600	910	SMC Corp.	1,300	149
Nippon Kayaku Co., Ltd.	1,000	6	Softbank Corp.	3,500	170
Nippon Light Metal Co., Ltd. (N)	24,000	61	Sohgo Security Services Co., Ltd.	18,100	266
Nippon Mining Holdings, Inc.	3,000	14	Sompo Japan Insurance, Inc.	9,000	92
Nippon Oil Corp.	32,000	205	Sony Corp.	4,300	166
Nippon Steel Corp.	109,000	267	Stanley Electric Co., Ltd.	10,600	182
Nippon Telegraph & Telephone Corp.	150	673	STB Leasing Co., Ltd.	3,300	62
Nippon Yusen Kabushiki Kaisha	6,000	32	Sumisho Lease Co., Ltd.	5,500	224
Nishi-Nippon City Bank, Ltd. (The)	39,000	150	Sumitomo Bakelite Co., Ltd.	68,900	435
Nissan Motor Co., Ltd.	13,300	145	Sumitomo Chemical Co., Ltd.	100,100	490
Nissen Co., Ltd.	3,800	51	Sumitomo Corp.	21,000	181
Nisshin Steel Co., Ltd.	26,000	60	Sumitomo Electric Industries, Ltd.	18,000	196
Nisshinbo Industries, Inc.	2,000	15	Sumitomo Forestry Co., Ltd.	16,000	161
Nitto Denko Corp.	7,200	395	Sumitomo Heavy Industries, Ltd. (Æ)	24,000	89
NOK Corp.	6,900	216	Sumitomo Metal Industries, Ltd.	19,000	26
Nomura Holdings, Inc.	11,000	160	Sumitomo Mitsui Financial Group, Inc. (N)	217	1,578
NS Solutions Corp.	2,800	77	Sumitomo Osaka Cement Co., Ltd.	50,000	122
NSK, Ltd.	4,000	20	Sumitomo Realty & Development Co., Ltd.	2,000	26
NTT DoCoMo, Inc.	46	85	Sumitomo Rubber Industries, Inc.	11,000	103
Obayashi Corp.	3,000	19	Sumitomo Trust & Banking Co., Ltd. (The)	195,000	1,410
OJI Paper Co., Ltd.	7,000	40			

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	Principal Amount (\$) or Shares	Market Value \$		Principal Amount (\$) or Shares	Market Value \$
Suruga Bank, Ltd.	1,000	8	Mexico - 0.3%		
T&D Holdings, Inc. (Æ)	8,050	385	Coca-Cola Femsa SA de CV - ADR (Ñ)	17,000	404
Taiheiyo Cement Corp.	16,000	40	Telefonos de Mexico SA de CV-		
Takashimaya Co., Ltd.	1,000	10	ADR (Ñ)	10,550	405
Takeda Pharmaceutical Co., Ltd.	26,700	1,345			809
Takefuji Corp.	10,200	690			
Tanabe Seiyaku Co., Ltd.	1,000	10	Morocco - 0.0%		
TDK Corp.	20,000	1,481	Maroc Telecom (Æ)	3,371	39
Telewave, Inc.	11	106			
Terumo Corp.	900	24	Netherlands - 3.7%		
Tobu Railway Co., Ltd.	5,000	19	ABN AMRO Holding NV	30,649	812
Toda Corp.	4,000	20	Aegon NV	51,184	698
Tohoku Electric Power Co., Inc.	2,400	43	Akzo Nobel NV	3,700	158
Tokai Rika Co., Ltd.	3,000	52	ASML Holding NV (Æ)	57,332	920
Tokyo Electric Power Co., Inc. (The)	14,900	366	Buhrmann NV	14,900	145
Tokyo Electron, Ltd.	12,600	776	CSM Class A	900	28
Tokyo Gas Co., Ltd.	12,000	49	DSM NV	5,100	330
Toppa Printing Co., Ltd.	4,000	44	European Aeronautic Defense and		
Toshiba Corp.	23,000	99	Space Co.	10,100	294
Tosoh Corp.	7,000	31	Heineken NV	21,668	722
Toyo Seikan Kaisha, Ltd.	3,000	55	ING Groep NV	44,120	1,335
Toyoda Gosei Co., Ltd.	4,800	98	Koninklijke Philips Electronics NV (Ñ)	14,400	382
Toyota Motor Corp.	78,800	3,207	Koninklijke Philips Electronics NV	18,710	496
Toyota Tsusho Corp.	1,000	15	OCE NV	3,900	60
UFJ Holdings, Inc.	203	1,230	Rodamco Europe NV	3,100	246
Uniden Corp.	7,000	138	Royal Dutch Petroleum Co.	20,100	1,157
UNY Co., Ltd.	1,000	11	Royal KPN NV	8,700	83
USS Co., Ltd.	1,170	98	Royal Numico NV (Æ)	31,500	1,136
West Japan Railway Co.	16	65	TPG NV	200	5
World Co., Ltd.	600	21	Unilever NV	200	13
Xebio Co., Ltd.	1,600	50	Wolters Kluwer NV	32,774	658
Yahoo! Japan Corp. (Æ)	8	38			9,678
Yamaha Corp.	1,200	18			
Yamaha Motor Co., Ltd.	47,400	711	New Zealand - 0.1%		
Yamanouchi Pharmaceutical Co., Ltd.	3,800	148	Carter Holt Harvey, Ltd.	140,900	211
Yamato Transport Co., Ltd.	41,000	608	Telecom Corp. of New Zealand, Ltd.	16,690	74
Yokogawa Electric Corp. (Ñ)	8,000	107			285
Yokohama Rubber Co., Ltd. (The)	1,000	4			
York-Benimaru Co., Ltd. Class D	3,100	96			
		55,836	Norway - 0.3%		
			DNB NOR ASA	42,592	420
			Norsk Hydro ASA	2,140	169
			Yara International ASA (Æ)	13,632	179
					768
Luxembourg - 0.0%					
Arcelor	400	9			
Millicom International Cellular SA (Æ)	4,700	105			
		114	Portugal - 0.1%		
			Energias de Portugal SA	96,900	294

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Amounts in thousands (except share amounts)

	Principal Amount (\$) or Shares	Market Value \$		Principal Amount (\$) or Shares	Market Value \$
Singapore - 1.0%					
CapitaLand, Ltd. (Ñ)	25,000	33	Gamesa Corp. Tecnologica SA	1,100	15
City Developments, Ltd.	33,000	143	Iberia Lineas Aereas de Espana	44,700	155
ComfortDelgro Corp., Ltd.	24,000	23	Indra Sistemas SA	18,000	308
DBS Group Holdings, Ltd.	96,400	951	Repsol YPF SA	28,923	753
Fraser and Neave, Ltd.	5,000	50	Repsol YPF SA - ADR (Ñ)	28,739	748
Jardine Cycle & Carriage, Ltd.	6,000	39	Sociedad General de Aguas de Barcelona SA Class A	1,200	25
Keppel Corp., Ltd. (Ñ)	47,000	248	Sogetel SA (Æ)(Ñ)	9,400	417
Keppel Land, Ltd.	7,000	10	Telefonica Moviles SA	300	4
NatSteel, Ltd.	10,000	13	Telefonica SA	189,886	3,577
Neptune Orient Lines, Ltd.	18,000	33	Union Fenosa SA	4,400	116
Oversea-Chinese Banking Corp.	2,000	16			<u>11,008</u>
Parkway Holdings, Ltd.	62,000	57	Sweden - 3.4%		
SembCorp Industries, Ltd.	23,000	23	Atlas Copco AB Class A (Ñ)	700	32
Singapore Airlines, Ltd.	3,000	21	Axfood AB	700	24
Singapore Press Holdings, Ltd.	19,000	53	Electrolux AB	30,860	706
Singapore Technologies Engineering, Ltd.	153,300	219	Elekta AB Class B (Æ)	1,600	46
Singapore Telecommunications, Ltd.	24,790	36	Gambro AB Class A	3,000	43
SMRT Corp., Ltd.	3,000	2	Hennes & Mauritz AB Class B (Ñ)	48,619	1,694
Starhub, Ltd. (Æ)	29,000	19	Lundin Petroleum AB (Æ)	6,000	34
United Overseas Bank, Ltd.	57,200	484	Nordea Bank AB (Ñ)	18,500	186
United Overseas Land, Ltd.	2,000	2	OMX AB (Æ)(Ñ)	2,400	31
		<u>2,475</u>	Sandvik AB	1,800	73
			Skandia Forsakrings AB (Ñ)	105,768	527
			Skandinaviska Enskilda Banken AB Class A	5,800	112
South Africa - 0.2%			Skanska AB Class B	5,100	61
Nedcor, Ltd.	33,683	465	Svenska Cellulosa AB Class B	1,300	55
			Svenska Handelsbanken Class A (Ñ)	68,735	1,789
South Korea - 0.7%			Swedish Match AB	3,500	40
Hyundai Motor Co.	14,560	781	Tele2 AB Class B (Ñ)	1,200	47
Korea Electric Power Corp. - ADR (Ñ)	31,800	412	Telefonaktiebolaget LM Ericsson Class B (Æ)	980,394	3,128
KT Corp. - ADR (Ñ)	20,200	440	TeliaSonera AB	7,000	42
POSCO - ADR (Ñ)	2,450	111	Volvo AB Class A	1,500	57
		<u>1,744</u>	Class B	600	24
					<u>8,751</u>
Spain - 4.2%			Switzerland - 7.4%		
ACS Actividades Cons y Serv	15,513	354	ABB, Ltd. (Æ)	4,100	23
Altadis SA	35,000	1,603	Clariant AG	27,205	439
Amadeus Global Travel Distribution SA Class A	22,300	230	Compagnie Financiere Richemont AG Class A	37,449	1,246
Antena 3 de Television SA (Æ)	300	22	Credit Suisse Group	28,448	1,196
Banco Sabadell SA	23,100	540	Georg Fischer AG (Æ)	219	57
Banco Santander Central Hispano SA	41,600	516			
Bankinter SA	2,100	112			
Corp Mapfre SA	17,230	254			
Endesa SA (Ñ)	51,102	1,201			
Fomento de Construcciones y Contratas SA	1,200	58			

Russell Investment Funds

Non-U.S. Fund

Schedule of Investments, continued — December 31, 2004

Amounts in thousands (except share amounts)

	Principal Amount (\$) or Shares	Market Value \$		Principal Amount (\$) or Shares	Market Value \$
Givaudan	461	304	Barclays PLC	133,235	1,499
Julius Baer Holding AG Class B	1,520	457	Barratt Developments PLC	7,000	80
Lonza Group AG	12,110	682	BG Group PLC	106,700	725
Micronas Semiconductor Hold (Æ)	100	5	BHP Billiton PLC	26,300	308
Nestle SA	6,791	1,777	BOC Group PLC	23,881	456
Nobel Biocare Holding AG	300	54	Boots Group PLC	54,025	680
Novartis AG Class G	61,317	3,090	BP PLC	403,554	3,936
PubliGroupe SA	77	24	Bradford & Bingley PLC	22,500	145
Rieter Holding AG	111	32	Brambles Industries PLC	32,100	160
Roche Holding AG	25,089	2,888	British Airways PLC (Æ)	23,900	108
Straumann Holding AG	180	37	British American Tobacco PLC	78,204	1,348
Sulzer AG	336	134	British Land Co. PLC	33,200	571
Swatch Group AG Class B	300	44	British Sky Broadcasting PLC	25,750	278
Swiss Reinsurance	10,960	782	BT Group PLC	256,000	998
Swisscom AG	460	181	Bunzl PLC	73,371	612
Synthes, Inc. (Æ)	4,116	461	Cairn Energy PLC (Æ)	1,000	21
UBS AG	54,733	4,590	Carnival PLC	16,270	993
Valora Holding AG	119	29	Centrica PLC	96,830	439
Xstrata PLC	8,600	154	Colt Telecom Group PLC (Æ)	2,600	2
Zurich Financial Services AG	2,762	460	Compass Group PLC	7,300	35
		<u>19,146</u>	Corus Group PLC (Æ)	112,308	109
Taiwan - 0.7%			Davis Service Group PLC	3,500	28
First Financial Holding Co., Ltd. - GDR (Æ)(D)	39,085	671	Diageo PLC	114,320	1,631
Taiwan Semiconductor Manufacturing Co., Ltd. - ADR	89,909	716	Dixons Group PLC	3,000	9
United Microelectronics Corp. - ADR (Æ)(N)	137,144	444	easyJet PLC (Æ)	92,800	335
		<u>1,831</u>	EMI Group PLC	26,700	136
			Firstgroup PLC	500	3
Thailand - 0.7%			FKI PLC	17,500	39
Bangkok Bank PCL (Alien Market) (Æ)	296,200	869	GKN PLC	185,950	844
Kasikornbank PCL (Alien Market) (Æ)	586,300	845	GlaxoSmithKline PLC	117,235	2,750
		<u>1,714</u>	HBOS PLC	74,399	1,211
			HMV Group PLC	34,200	171
United Kingdom - 19.7%			HSBC Holdings PLC	213,105	3,598
3i Group PLC	73,580	941	Imperial Chemical Industries PLC	35,200	163
Alliance & Leicester PLC	4,000	70	Imperial Tobacco Group PLC	59,324	1,625
Alliance Unichem PLC	4,900	71	Inchcape PLC	5,100	191
Anglo American PLC	36,283	858	ITV PLC	103,178	209
Arriva PLC	7,000	73	J Sainsbury PLC	101,277	526
Associated British Foods PLC	10,900	163	Kelda Group PLC	6,900	84
AstraZeneca PLC	12,260	445	Kesa Electricals PLC	51,304	278
Aviva PLC	46,400	559	Kingfisher PLC	42,444	252
AWG PLC	1,700	27	Land Securities Group PLC	2,300	62
BAA PLC	62,300	699	Legal & General Group PLC	7,500	16
BAE Systems PLC	193,977	858	Lloyds TSB Group PLC	112,030	1,017
			Man Group PLC	17,160	485
			Marks & Spencer Group PLC	70,900	467
			MFI Furniture PLC	11,700	28
			Mitchells & Butlers PLC	28,758	188
			mm02 PLC (Æ)	24,300	57

Russell Investment Funds

Non-U.S. Fund

Schedule of Investments, continued — December 31, 2004

Amounts in thousands (except share amounts)

	Principal Amount (\$) or Shares	Market Value \$		Principal Amount (\$) or Shares	Market Value \$
MyTravel Group PLC (Æ)	53,200	6	Italy - 0.0%		
Northern Foods PLC	46,900	154	Unipol SpA	12,600	44
Old Mutual PLC	21,500	55			
Pennon Group PLC	6,100	117	Total Preferred Stocks		
Persimmon PLC	4,500	60	(cost \$457)		726
Prudential PLC	40,366	351			
Punch Taverns PLC	4,300	57			
Reed Elsevier PLC	4,000	37			
Reuters Group PLC	67,800	491		Notional Amount \$	
Rexam PLC	41,391	365			
Rio Tinto PLC	31,724	934			
Rolls-Royce Group PLC	1,146,589	168	Options Purchased - 0.3%		
Royal & Sun Alliance Insurance Group PLC	106,900	159	(Number of Contracts)		
Royal Bank of Scotland Group PLC	52,045	1,751	Belgium - 0.2%		
SABMiller PLC	3,100	51	Bel20 Index Futures		
Scottish & Newcastle PLC	5,800	49	Jan 2005 2,927.99 (EUR) Call (49)	3,900	675
Scottish & Southern Energy PLC	32,100	538			
Scottish Power PLC	18,400	142	Switzerland - 0.1%		
Shell Transport & Trading Co. PLC	348,381	2,970	Swiss Market Index Futures		
Shire Pharmaceuticals PLC	11,100	117	Mar 2005 5,622.30 (EUR) Put (52)	2,571	229
Stagecoach Group PLC	30,795	67	Mar 2005 5,658.00 (EUR) Put (4)	199	17
Standard Chartered PLC	18,500	344			246
Tate & Lyle PLC	20,300	184	Total Options Purchased		
Taylor Woodrow PLC	5,700	30	(cost \$890)		921
Tesco PLC	90,800	561			
Trinity Mirror PLC	7,600	93			
Unilever PLC	85,450	839			
United Business Media PLC	11,961	110		Principal Amount (\$) or Shares	
United Utilities PLC	10,200	106			
Vodafone Group PLC	1,910,631	5,181	Short-Term Investments - 6.2%		
Warner Chilcott PLC	1,600	26	United States - 6.2%		
Wimpey George PLC	15,900	122	Frank Russell Investment Company		
		50,905	Money Market Fund	13,352,000	13,352
Total Common Stocks		239,953	United States Treasury Bill (z)(\$)		
(cost \$185,833)			1.770% due 01/20/05 (c)	1,500	1,498
			1.840% due 03/17/05	1,200	1,193
Preferred Stocks - 0.3%					16,043
Germany - 0.3%			Total Short-Term Investments		
Fresenius AG	4,900	459	(cost \$16,045)		16,043
Fresenius Medical Care AG	1,100	64			
Porsche AG	2	1			
ProSieben SAT.1 Media AG	8,623	158			
		682			

Russell Investment Funds

Non-U.S. Fund

Schedule of Investments, continued — December 31, 2004

Amounts in thousands (except share amounts)

	Principal Amount (\$) or Shares	Market Value \$	Futures Contracts (Number of Contracts)	Notional Amount \$	Unrealized Appreciation (Depreciation) \$
Warrants & Rights - 0.0%			Long Positions		
Germany - 0.0%			AEX Index (Netherlands)		
KarstadtQuelle AG Rights (Æ)(Å)	25,000	—	expiration date 01/05 (24)	2,272	11
Hong Kong - 0.0%			CAC-40 Index (France)		
Kingboard Chemical Holdings, Ltd. 2006 Warrants (Æ)	1,000	1	expiration date 03/05 (28)	1,457	(7)
			DAX Index (Germany)		
Total Warrants & Rights (cost \$103)		1	expiration date 03/05 (14)	2,032	10
			EUR STOXX 50 Index (EMU)		
Other Securities - 8.0%			expiration date 03/05 (66)	2,645	8
State Street Securities Lending Quality Trust (×)	20,647,080	20,647	FTSE-100 Index (UK)		
			expiration date 03/05 (37)	3,408	39
Total Other Securities (cost \$20,647)		20,647	Hang Seng Index (Hong Kong)		
			expiration date 01/05 (31)	2,836	—
Total Investments - 107.5% (identified cost \$223,975)		278,291	IBEX Plus Index (Spain)		
			expiration date 01/05 (4)	492	9
Other Assets and Liabilities, Net - (7.5%)		(19,525)	SPI 200 Index (Australia)		
			expiration date 03/05 (13)	1,033	12
Net Assets - 100.0%		258,766	TOPIX Index (Japan)		
			expiration date 03/05 (36)	4,031	184
			Short Positions		
			CAC-40 Index (France)		
			expiration date 01/05 (17)	882	—
			FTSE-100 Index (UK)		
			expiration date 03/05 (20)	1,842	(27)
			MIB-30 (Italy)		
			expiration date 03/05 (4)	839	(9)
			Total Unrealized Appreciation (Depreciation) on Open Futures Contracts		
					230

See accompanying notes which are an integral part of the financial statements.

Russell Investment Funds

Non-U.S. Fund

Schedule of Investments, continued — December 31, 2004

Amounts in thousands

Options Written (Number of Contracts)	Notional Amount \$	Market Value \$
Belgium		
Bel20 Index Futures		
Jan 2005 2,927.99 (EUR) Put (49)	3,900	(666)
Switzerland		
Swiss Market Index Futures		
Mar 2005 5,658.00 (EUR) Call (4)	199	(18)
Mar 2005 5,622.30 (EUR) Call (52)	2,571	<u>(256)</u>
Total Liability for Options Written (premiums received \$888)		<u><u>(940)</u></u>

See accompanying notes which are an integral part of the financial statements.

Russell Investment Funds

Non-U.S. Fund

Schedule of Investments, continued — December 31, 2004

Amounts in thousands

Foreign Currency Exchange Contracts

Foreign Currency Exchange Contracts

Foreign Currency Exchange Contracts				Foreign Currency Exchange Contracts							
Amount Sold	Amount Bought	Settlement Date	Unrealized Appreciation (Depreciation) \$	Amount Sold	Amount Bought	Settlement Date	Unrealized Appreciation (Depreciation) \$				
USD	2,030	AUD	2,719	03/16/05	90	DKK	33	USD	6	03/16/05	—
USD	226	CHF	256	01/03/05	—	EUR	2,000	USD	2,649	03/16/05	(71)
USD	966	CHF	1,116	03/16/05	20	EUR	2,288	USD	3,029	03/16/05	(83)
USD	58	DKK	325	03/16/05	2	EUR	4,407	USD	5,836	03/16/05	(159)
USD	265	EUR	200	03/16/05	7	GBP	400	USD	762	03/16/05	(3)
USD	530	EUR	400	03/16/05	14	GBP	600	USD	1,151	03/16/05	5
USD	1,160	EUR	874	03/16/05	29	JPY	183	USD	2	01/04/05	—
USD	9,320	EUR	7,038	03/16/05	253	JPY	320	USD	3	01/04/05	—
USD	1,609	GBP	837	03/16/05	(10)	JPY	783	USD	8	01/04/05	—
USD	1,842	GBP	958	03/16/05	(11)	JPY	1,045	USD	10	01/04/05	—
USD	3,618	GBP	1,900	03/16/05	12	JPY	1,386	USD	13	01/04/05	—
USD	572	GBP	300	03/16/05	2	JPY	1,515	USD	15	01/04/05	—
USD	6,430	GBP	3,377	03/16/05	22	JPY	93	USD	1	01/05/05	—
USD	26	HKD	203	01/03/05	—	JPY	6,005	USD	58	01/05/05	(1)
USD	27	HKD	210	01/04/05	—	JPY	93	USD	1	01/06/05	—
USD	38	HKD	297	03/16/05	—	JPY	2,251	USD	22	01/06/05	—
USD	26	HKD	202	03/16/05	—	JPY	23,060	USD	221	03/16/05	(5)
USD	2	JPY	231	01/04/05	—	JPY	53,857	USD	515	03/16/05	(13)
USD	2	JPY	244	01/04/05	—	JPY	100,000	USD	957	03/16/05	(24)
USD	3	JPY	280	01/04/05	—	JPY	200,000	USD	1,919	03/16/05	(43)
USD	3	JPY	283	01/04/05	—	SEK	4,619	USD	682	03/16/05	(14)
USD	6	JPY	616	01/04/05	—	SEK	9,250	USD	1,365	03/16/05	(29)
USD	9	JPY	892	01/04/05	—	SGD	280	USD	170	03/16/05	(2)
USD	3	JPY	285	01/05/05	—						
USD	2	JPY	232	01/05/05	—						63
USD	6	JPY	620	01/05/05	—						
USD	9	JPY	887	01/05/05	—						
USD	19	JPY	1,953	01/05/05	—						
USD	6	JPY	627	01/06/05	—						
USD	2	JPY	233	01/06/05	—						
USD	29	JPY	2,978	01/06/05	—						
USD	1	JPY	112	01/06/05	—						
USD	3	JPY	287	01/06/05	—						
USD	4,305	JPY	450,000	03/16/05	110						
USD	481	JPY	50,000	03/16/05	10						
USD	958	JPY	100,000	03/16/05	23						
USD	71	NOK	433	01/04/05	—						
USD	475	NZD	680	03/16/05	12						
USD	705	NZD	1,001	03/16/05	12						
USD	932	SEK	6,314	03/16/05	19						
AUD	3,044	USD	2,291	03/16/05	(82)						
CHF	1,852	USD	1,606	03/16/05	(29)						
DKK	31	USD	6	01/05/05	—						

See accompanying notes which are an integral part of the financial statements.

Russell Investment Funds

Non-U.S. Fund

Schedule of Investments, continued — December 31, 2004

Amounts in thousands

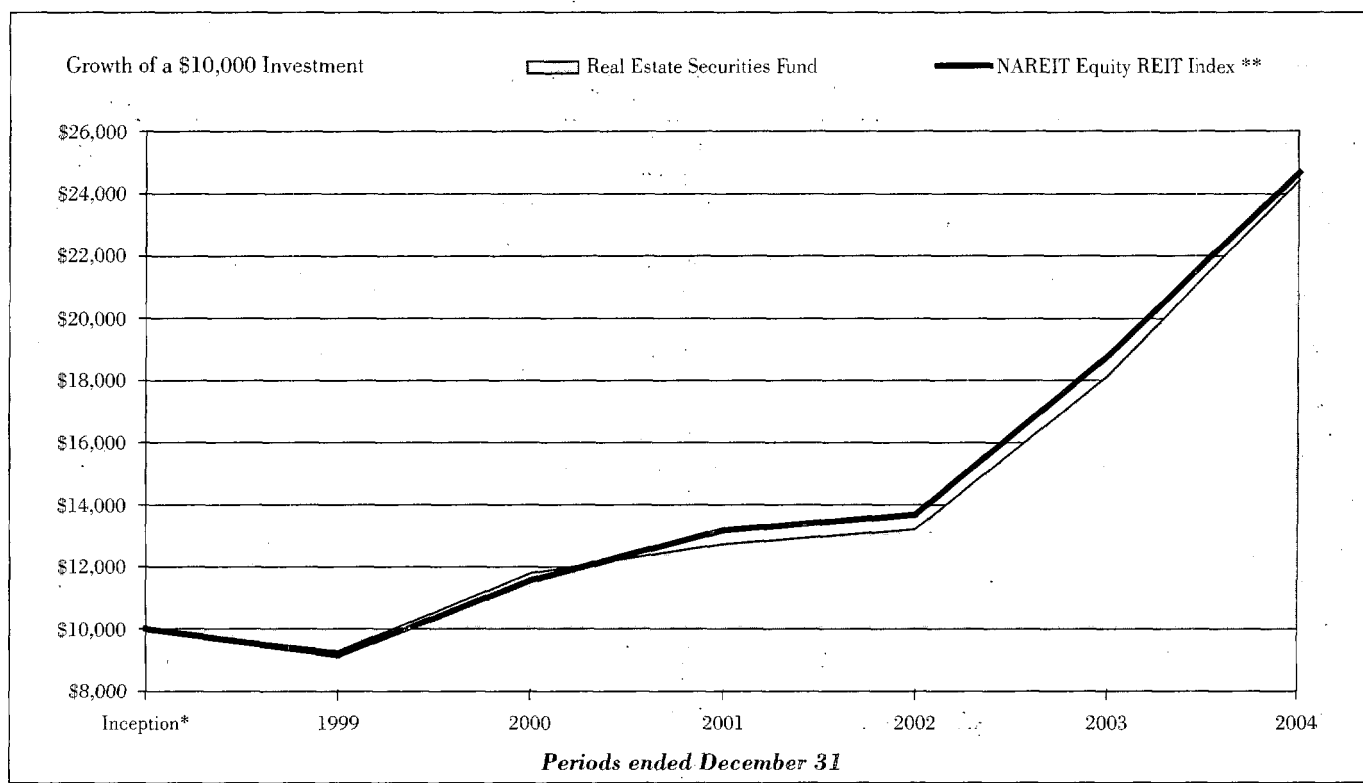
Industry Diversification (Unaudited)	% of Net Assets	Market Value \$	Portfolio Summary (Unaudited)	% of Net Assets
Auto and Transportation	6.6	17,454	Australia	2.8
Consumer Discretionary	10.5	27,043	Belgium	1.0
Consumer Staples	6.8	17,595	Brazil	0.3
Financial Services	24.9	64,298	China	0.5
Health Care	6.4	16,304	Denmark	0.6
Integrated Oils	8.1	20,985	Finland	1.1
Materials and Processing	8.3	21,489	France	9.5
Miscellaneous	0.4	1,043	Germany	5.2
Options Purchased	0.3	921	Greece	0.4
Other Energy	0.2	453	Hong Kong	1.2
Producer Durables	5.9	15,368	Indonesia	0.3
Technology	3.1	8,063	Ireland	0.7
Utilities	11.8	30,584	Italy	5.0
Short-Term Investments	6.2	16,043	Japan	21.6
Warrants & Rights	—	1	Luxembourg	—*
Other Securities	8.0	20,647	Mexico	0.3
Total Investments	107.5	278,291	Morocco	—*
Other Assets and Liabilities, Net	(7.5)	(19,525)	Netherlands	3.7
Net Assets	100.0	258,766	New Zealand	0.1
			Norway	0.3
			Portugal	0.1
			Singapore	1.0
			South Africa	0.2
			South Korea	0.7
			Spain	4.2
			Sweden	3.4
			Switzerland	7.4
			Taiwan	0.7
			Thailand	0.7
			United Kingdom	19.7
			Preferred Stocks	0.3
			Options Purchased	0.3
			Short-Term Investments	6.2
			Warrants & Rights	—*
			Other Securities	8.0
			Total Investments	107.5
			Other Assets and Liabilities, Net	(7.5)
			Net Assets	100.0
			Futures Contracts	0.1
			Options Written	0.4
			Foreign Currency Exchange Contracts	—*

* Less than .05%

See accompanying notes which are an integral part of the financial statements.

Russell Investment Funds Real Estate Securities Fund

Portfolio Management Discussion — December 31, 2004 (Unaudited)



Real Estate Securities Fund

Periods Ended 12/31/04	Growth of \$10,000	Total Return
1 Year	\$ 13,487	34.88%
5 Years	\$ 26,358	21.36%
Inception	\$ 24,444	17.02%§

NAREIT Equity REIT Index

Periods Ended 12/31/04	Growth of \$10,000	Total Return
1 Year	\$ 13,157	31.57%
5 Years	\$ 26,967	21.95%
Inception	\$ 24,682	17.29%§

Russell Investment Funds

Real Estate Securities Fund

Portfolio Management Discussion, continued — December 31, 2004 (Unaudited)

What is the Fund's investment objective?

The Fund seeks to provide current income and long term capital growth.

How did the Fund perform relative to its benchmark for the fiscal year ended December 31, 2004?

For the fiscal year ended December 31, 2004, the Real Estate Securities Fund gained 34.88%. This compared to the NAREIT Equity REIT Index, which gained 31.57% during the same period. The Fund's performance is net of operating expenses of 0.92%. Index returns do not reflect deduction for fees or expenses. Index returns do not include fair valuation adjustments which may be included in fund returns.

How did the market conditions, as described starting on page 4 of this report, affect the Fund's performance?

The money managers positioned the Fund to benefit from perceived strengthening economic conditions and real estate market recoveries by maintaining the largest overweight positions in the regional malls, industrial and lodging sectors. The money managers maintained smaller overweight positions in the office and apartments sectors due to concerns about weaker fundamentals in these sectors. As more fully described below, sector positioning was a major contributor to the Fund's performance during the year.

The Fund maintained a primary focus on larger capitalization and more liquid REITs during the year. As this segment of the market outperformed the broader REIT market, the Fund benefited from this trend.

What were the primary contributors and detractors to the Fund's performance during the last 12 months?

Both stock and property sector selection contributed positively to performance during the year relative to benchmark. The Fund maintained its largest overweight positions in the regional malls, industrial and lodging sectors, each of which outperformed the benchmark during the year. The Fund also benefited from a small overweight position in the apartments sector. Underweight positions in the manufactured homes, self storage, health care and specialty sectors contributed positively to performance relative to benchmark. The Fund's slight overweight position in the office sector and underweight positions in the shopping centers and diversified sectors detracted from performance.

How did the investment strategies and techniques employed by the Fund and its money managers affect its performance?

INVESCO maintains a broadly diversified portfolio with exposure to all major property sectors. Their investment style incorporates fundamental property market research and bottom-up quantitative securities analysis. Of the Fund's three managers, INVESCO contributed the strongest performance relative to benchmark. INVESCO's performance benefited from effective sector positioning and positive stock selection within sectors. INVESCO's largest overweight position was in the regional malls sector, which was the strongest performing property sector during the year. Their stock selection was particularly strong in the office sector.

RREEF's style emphasizes a top-down approach to property sector weights, based on an assessment of property market fundamentals. RREEF outperformed the benchmark during the year due to positive stock and property sector selection. RREEF's analysis of property market conditions resulted in an overweight position in the outperforming regional malls sector and an underweight position in the underperforming office sector which contributed positively to Fund performance relative to benchmark.

AEW's style is more value-oriented than either INVESCO or RREEF, with a primary focus on underlying real estate net asset value. AEW's property sector weightings tend to track relatively closely to the benchmark sector weights. AEW outperformed the benchmark during the year, primarily due to positive stock selection.

Describe any changes to the Fund's structure or the money manager line-up.

No changes to the Fund's structure or its money manager line-up were made during the year.

Money Managers as of December 31, 2004

Money Managers	Styles
AEW Management and Advisors, L.P.	Value
INVESCO Institutional (N.A.), Inc., which acts as a money manager to the Fund through its INVESCO Real Estate division	Market-Oriented
RREEF America L.L.C.	Market-Oriented

* Real Estate Securities Fund assumes initial investment on April 30, 1999, NAREIT Index comparison for the initial investment began May 1, 1999.

** National Association of Real Estate Investment Trusts (NAREIT) Equity REIT Index is an index composed of all the data based on the last closing price of the month for all tax-qualified REITs listed on the New York Stock Exchange, American Stock Exchange, and the NASDAQ National Market System. The data is market value-weighted. The total-return calculation is based upon whether it is 1-month, 3-months or 12-months. Only those REITs listed for the entire period are used in the total return calculation.

§ Annualized.

Performance is historical and assumes reinvestment of all dividends and capital gains. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than when purchased. Past performance is not indicative of future results.

Russell Investment Funds

Real Estate Securities Fund

Shareholder Expense Example — December 31, 2004 (Unaudited)

Fund Expenses

The following disclosure provides important information regarding each Fund's Expense Example, which appears on each Fund's individual page in this Annual Report. Please refer to this information when reviewing the Expense Example for a Fund.

Example

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, and (2) ongoing costs, including management fees; and other Fund expenses. The 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 period and held for the entire period indicated, which for this Fund is from July 1, 2004 to December 31, 2004.

Actual Expenses

The information in the table under the heading "Actual Performance" provides information about actual account values and actual expenses. You may use the information in this column, 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 first column in the row entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The information in the table under the heading "Hypothetical Performance (5% return before expenses)" 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 other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs. Therefore, the information under the heading "Hypothetical Performance (5% return before expenses)" is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	<u>Actual Performance</u>	<u>Hypothetical Performance (5% return before expenses)</u>
Beginning Account Value July 1, 2004	\$ 1,000.00	\$ 1,000.00
Ending Account Value December 31, 2004	\$ 1,263.50	\$ 1,020.37
Expenses Paid During Period*	\$ 5.23	\$ 4.67

* Expenses are equal to the Fund's annualized expense ratio of 0.92%, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period). Reflects amounts waived and/or reimbursed by the investment adviser. Without the waiver and/or reimbursement, expenses would have been higher.

Russell Investment Funds

Real Estate Securities Fund

Schedule of Investments — December 31, 2004

Amounts in thousands (except share amounts)

	Principal Amount (\$) or Shares	Market Value \$		Principal Amount (\$) or Shares	Market Value \$
Common Stocks - 96.8%					
Apartments - 16.7%					
Apartment Investment & Management					
Co. Class A	162,900	6,278	LaSalle Hotel Properties (ö)	38,900	1,238
Archstone-Smith Trust (ö)	270,017	10,342	Starwood Hotels & Resorts Worldwide, Inc (ö)	198,332	11,583
AvalonBay Communities, Inc. (ö)	191,400	14,412	Strategic Hotel Capital, Inc. (ö)	28,900	477
BRE Properties Class A (ö)	116,900	4,712			<u>42,231</u>
Camden Property Trust (ö)	47,900	2,443	Manufactured Homes - 0.1%		
Equity Residential (ö)	490,300	17,739	Sun Communities, Inc. (ö)	10,500	423
Essex Property Trust, Inc. (ö)	40,700	3,411	Mixed Industrial/Office - 3.2%		
Summit Properties, Inc. (ö)	16,500	537	Duke Realty Corp. (ö)	87,200	2,977
United Dominion Realty Trust, Inc. (ö)	147,200	3,651	Liberty Property Trust (ö)	179,800	7,767
		<u>63,525</u>	PS Business Parks, Inc. (ö)	27,500	1,240
					<u>11,984</u>
Diversified - 2.9%					
Crescent Real Estate Equities Co. (ö)	22,612	413	Office - 19.0%		
iStar Financial, Inc. (ö)	30,500	1,381	Alexandria Real Estate Equities, Inc. (ö)	26,000	1,935
Spirit Finance Corp. (Æ)(ö)	12,600	159	American Financial Realty Trust (ö)	352,800	5,708
Vornado Realty Trust (ö)	119,600	9,105	Arden Realty, Inc. (ö)	96,100	3,625
		<u>11,058</u>	BioMed Realty Trust, Inc. (ö)	82,300	1,828
			Boston Properties, Inc. (ö)	190,800	12,339
Free Standing Retail - 0.2%					
Realty Income Corp. (ö)	13,000	657	Brandywine Realty Trust (ö)	34,900	1,026
			Brookfield Properties Co.	177,400	6,635
Health Care - 3.0%					
Health Care REIT, Inc. (ö)	4,300	164	CarrAmerica Realty Corp. (ö)	47,200	1,558
Healthcare Realty Trust, Inc. (ö)	47,500	1,933	Corporate Office Properties Trust (ö)(N)	21,500	631
National Health Investors, Inc. (ö)	43,000	1,255	CRT Properties, Inc. (ö)	52,900	1,262
Omega Healthcare Investors, Inc. (ö)	140,195	1,654	Equity Office Properties Trust (ö)	212,700	6,194
Senior Housing Properties Trust (ö)	128,500	2,434	Glenborough Realty Trust, Inc. (ö)	53,700	1,143
Ventas, Inc. (ö)	138,900	3,807	Highwoods Properties, Inc. (ö)	163,700	4,534
		<u>11,247</u>	Kilroy Realty Corp. (ö)	81,700	3,493
			Mack-Cali Realty Corp. (ö)	193,821	8,921
Industrial - 10.1%					
AMB Property Corp. (ö)	68,700	2,775	Prentiss Properties Trust (ö)	53,000	2,025
Catellus Development Corp. (ö)	347,266	10,626	Reckson Associates Realty Corp. (ö)	55,500	1,821
Centerpoint Properties Trust (ö)	81,900	3,922	SL Green Realty Corp. (ö)	78,800	4,771
First Potomac Realty Trust (ö)	17,000	388	Trizec Properties, Inc. (ö)	142,000	2,687
Prologis (ö)	475,300	20,594			<u>72,136</u>
		<u>38,305</u>	Regional Malls - 16.1%		
			General Growth Properties Rights, 11/9 (Æ)	22,080	10
Lodging/Resorts - 11.1%					
Fairmont Hotels & Resorts, Inc.	21,200	734	General Growth Properties, Inc. (ö)	337,600	12,208
Great Wolf Resorts, Inc. (Æ)	10,900	243	Macerich Co. (The) (ö)	122,000	7,661
Hilton Hotels Corp.	560,400	12,743	Mills Corp. (The) (ö)	107,400	6,848
Hospitality Properties Trust (ö)	16,500	759	Pennsylvania Real Estate Investment Trust (ö)	76,347	3,268
Host Marriott Corp. (ö)	698,300	12,081	Simon Property Group, Inc. (ö)	444,400	28,739
Innkeepers USA Trust (ö)	38,000	540	Taubman Centers, Inc. (ö)	78,000	2,336
La Quinta Corp. (Æ)(ö)	201,600	1,833			<u>61,070</u>

Russell Investment Funds

Real Estate Securities Fund

Schedule of Investments, continued — December 31, 2004

Amounts in thousands (except share amounts)

	Principal Amount (\$) or Shares	Market Value \$	Portfolio Summary (Unaudited)	% of Net Assets
Self Storage - 2.1%			Apartment	16.7
Extra Space Storage, Inc. (ö)	25,300	337	Diversified	2.9
Public Storage, Inc. (ö)	99,075	5,524	Freestanding Retail	0.2
Shurgard Storage Centers, Inc. Class A (ö)	47,200	2,077	Health Care	3.0
		<u>7,938</u>	Industrial	10.1
			Lodging/Resorts	11.1
			Manufactured Homes	0.1
Shopping Centers - 10.5%			Mixed Industrial/Office	3.2
Developers Diversified Realty Corp. (ö)	198,300	8,799	Office	19.0
Federal Realty Investors Trust (ö)	144,100	7,443	Regional Malls	16.1
Inland Real Estate Corp. (ö)	122,800	1,959	Self Storage	2.1
Kimco Realty Corp. (ö)	38,500	2,233	Shopping Centers	10.5
Kite Realty Group Trust (ö)	73,100	1,117	Specialty	1.8
Pan Pacific Retail Properties, Inc. (ö)	105,000	6,583	Short-Term Investments	4.9
Regency Centers Corp. (ö)	215,100	11,916	Other Securities	—*
		<u>40,050</u>	Total Investments	101.7
			Other Assets and Liabilities, Net	<u>(1.7)</u>
Specialty - 1.8%			Net Assets	<u>100.0</u>
Capital Automotive REIT (ö)	46,200	1,641		
GMH Communities Trust (ö)	60,000	846		
Plum Creek Timber Co., Inc. (REIT) (ö)	113,500	4,363		
		<u>6,850</u>		
Total Common Stocks (cost \$248,692)		<u>367,474</u>		
Short-Term Investments - 4.9%				
Frank Russell Investment Company Money Market Fund	18,622,000	18,622		
Total Short-Term Investments (cost \$18,622)		<u>18,622</u>		
Other Securities - 0.0%				
State Street Securities Lending Quality Trust (x)	2,925	3		
Total Other Securities (cost \$3)		<u>3</u>		
Total Investments - 101.7% (identified cost \$267,317)		386,099		
Other Assets and Liabilities, Net - (1.7%)		<u>(6,366)</u>		
Net Assets - 100.0%		<u>379,733</u>		

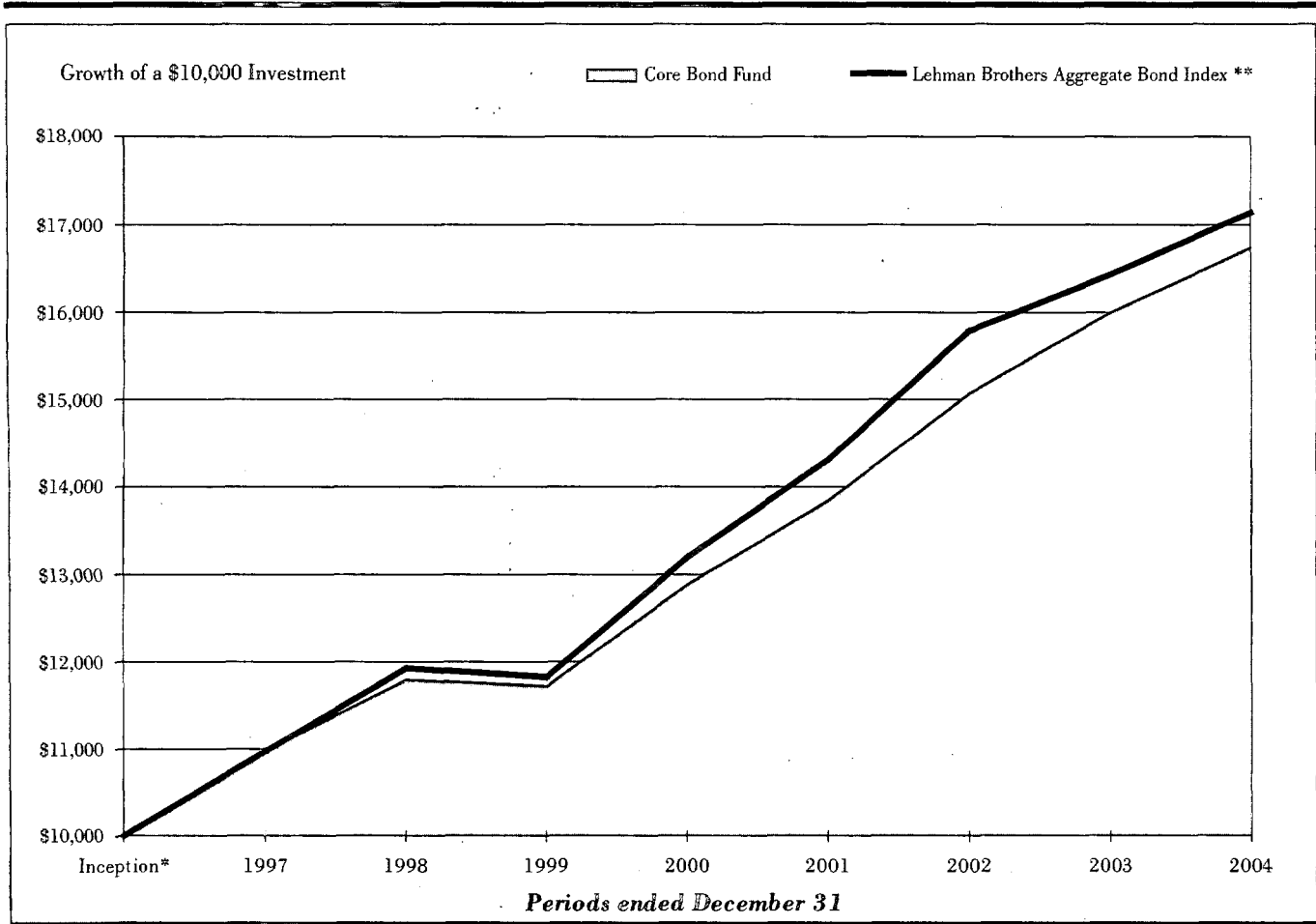
* Less than .05%

See accompanying notes which are an integral part of the financial statements.

Russell Investment Funds

Core Bond Fund

Portfolio Management Discussion — December 31, 2004 (Unaudited)



Core Bond Fund

Periods Ended 12/31/04	Growth of \$10,000	Total Return
1 Year	\$ 10,466	4.66%
5 Years	\$ 14,286	7.39%§
Inception	\$ 16,731	6.65%§

Lehman Brothers Aggregate Bond Index

Periods Ended 12/31/04	Growth of \$10,000	Total Return
1 Year	\$ 10,434	4.34%
5 Years	\$ 14,497	7.71%§
Inception	\$ 17,136	6.96%§

Russell Investment Funds

Core Bond Fund

Portfolio Management Discussion, continued — December 31, 2004 (Unaudited)

What is the Fund's investment objective?

The Fund seeks to provide current income and the preservation of capital.

How did the Fund perform relative to its benchmark for the fiscal year ended December 31, 2004?

For the fiscal year ended December 31, 2004, the Core Bond Fund gained 4.66%. This compared to its benchmark, the Lehman Brothers Aggregate Bond Index, which gained 4.34%. The Fund's performance is net of operating expenses of 0.70%. Index returns do not reflect deduction for fees or expenses. Index returns do not include fair valuation adjustments which may be included in fund returns.

How did the market conditions, as described starting on page 4 of this report, affect the Fund's performance?

Over the course of the year, short-term interest rates increased due to tightening by the Federal Reserve and interest rates on bonds with maturities of 10 years or longer remained relatively unchanged. This resulted in nominal returns for the year being similar to yields. For the second year in a row, the best performing sector within the Lehman Brothers Aggregate Bond Index was the investment grade corporate sector. This sector benefited from better economic growth making it easier for corporate issuers to pay down debt. The Fund had a slight overweight to the investment grade corporate bond sector at the beginning of the year which contributed positively to performance. However, as prices of investment grade corporate bonds increased, money managers sold these bonds resulting in an underweight in this sector for most of 2004.

The Fund was overweight to the high yield bond sector for much of the year. After posting a 29.0% return in 2003, the high yield bond market, as represented by the Lehman Brothers High Yield Index, rose 11.13% in 2004. The Fund started the year with a 6% allocation to high yield bonds. As prices of high yield bonds rose, money managers sold these bonds and took profits and the Fund ended the year with a 2.5% allocation to high yield bonds. The high yield bonds owned by the Fund were of higher average quality than the total high yield market, averaging BB.

The emerging market debt sector had returns similar to that of the high yield bond sector. The Fund's exposure to the emerging markets debt sector declined from 1.7% to 1.3% over the year.

What were the primary contributors and detractors to the Fund's performance during the last 12 months?

Overweight positions in the high yield bond and emerging markets debt sector contributed positively to performance relative to the benchmark.

Investment in short duration fixed income securities decreased the Fund's total return relative to benchmark. Certain of the

Fund's money managers, expecting that interest rates would rise uniformly across maturities, held overweight positions in shorter maturity bonds which are less sensitive to a rise in interest rates. However, as the yield curve flattened as short term interest rates rose, bonds with longer maturities increased in price, while bonds with shorter maturities fell in price.

A tactical allocation to Treasury Inflation Protected Securities (TIPS) contributed positively to performance relative to benchmark. Over the year, higher commodity prices led to expectations of higher inflation. TIPS provide higher yields in an inflationary environment. As a result, TIPS generally outperformed Treasury bonds during the year. The Fund held a 5% to 6% weighting to TIPS over the year.

How did the investment strategies and techniques employed by the Fund and its money managers affect its performance?

Generally, investors were rewarded for owning riskier bonds over the last 12 months. During the Fund's fiscal year ended December 31, 2004, investors' bid-up prices on high yield bonds, investment grade corporate bonds and emerging markets debt. As the prices of the Fund's holdings in high yield bonds, investment grade corporate bonds and emerging market debt increased, the Fund's money managers considered the possibility of a market sell-off in these fixed income sectors. As a result of very little yield compensation for holding bonds in these riskier sectors, the Fund's money managers reduced the Fund's portfolio weighting to these sectors by reducing the Fund's exposure to the high yield bond, investment grade corporate bond and emerging markets debt sectors and moved to higher quality fixed income instruments that they felt were less susceptible to a market sell-off.

As expected, interest rates impacted the fixed income markets during 2004. The interest rate environment was quite volatile. Although the yield on the ten year U.S. Treasury Bond started and ended at close to the same level, 4.25% and 4.22%, respectively, ten year U.S. Treasury Bond yields ranged from 3.68% to 4.87%. As rates fell to new lows in March, the Fund's money managers moved to a more defensive position by selling bonds with longer maturities which are more sensitive to rising rates. This positioned the Fund's money managers to benefit from the rise in interest rates in April as measured by ten-year U.S. Treasury Bond yields moving up to over 4.87% in June. Despite opportunistic positioning of the Fund during volatile periods, the Fund's defensive position throughout much of the year detracted slightly from results. As the year ended, the Fund's money managers continued to hold defensive portfolios with respect to interest rates (i.e. shorter duration in the expectation of rising interest rates), with an average duration of 4.0 years, slightly below the 4.3 year average duration of the Lehman Brothers U.S. Aggregate Index.

Russell Investment Funds

Core Bond Fund

Portfolio Management Discussion, continued — December 31, 2004 (Unaudited)

Describe any changes to the Fund's structure or the money manager line-up.

No changes were made to the Fund's money manager lineup during the fiscal year ended December 31, 2004. However, one of the Fund's money managers, TimesSquare Capital Management, Inc. ("TimesSquare"), underwent an internal organizational change that resulted in its parent company exiting the institutional asset management business. TimesSquare's fixed income managers moved to Bear Stearns Asset Management Inc. ("Bear Stearns") as a result of its

purchase of TimesSquare. There is no impact on the Fund, and the allocation to this manager remains the same.

**Money Managers
as of December 31, 2004**

	Styles
Bear Stearns Asset Management Inc.	Sector Rotation
Pacific Investment Management Company LLC	Sector Rotation

* The Fund commenced operations on January 2, 1997. Index comparison began January 1, 1997.

** Lehman Brothers Aggregate Bond Index is composed of securities from Lehman Brothers Government/Corporate Bond Index, Mortgage-Backed Securities Index, and the Asset-Backed Securities Index. Total return comprises price appreciation/depreciation and income as a percentage of the original investment. Indexes are rebalanced monthly by market capitalization.

§ Annualized.

Performance is historical and assumes reinvestment of all dividends and capital gains. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than when purchased. Past performance is not indicative of future results.

Russell Investment Funds

Core Bond Fund

Shareholder Expense Example — December 31, 2004 (Unaudited)

Fund Expenses

The following disclosure provides important information regarding each Fund's Expense Example, which appears on each Fund's individual page in this Annual Report. Please refer to this information when reviewing the Expense Example for a Fund.

Example

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, and (2) ongoing costs, including management fees; and other Fund expenses. The 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 period and held for the entire period indicated, which for this Fund is from July 1, 2004 to December 31, 2004.

Actual Expenses

The information in the table under the heading "Actual Performance" provides information about actual account values and actual expenses. You may use the information in this column, 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 first column in the row entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The information in the table under the heading "Hypothetical Performance (5% return before expenses)" 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 other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs. Therefore, the information under the heading "Hypothetical Performance (5% return before expenses)" is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	Actual Performance	Hypothetical Performance (5% return before expenses)
Beginning Account Value July 1, 2004	\$ 1,000.00	\$ 1,000.00
Ending Account Value December 31, 2004	\$ 1,043.00	\$ 1,021.48
Expenses Paid During Period*	\$ 3.59	\$ 3.56

* Expenses are equal to the Fund's annualized expense ratio of 0.70%, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period). Reflects amounts waived and/or reimbursed by the investment adviser. Without the waiver and/or reimbursement, expenses would have been higher.

Russell Investment Funds

Core Bond Fund

Schedule of Investments — December 31, 2004

Amounts in thousands (except share amounts)

	Principal Amount (\$) or Shares	Market Value \$		Principal Amount (\$) or Shares	Market Value \$
Long-Term Investments - 74.4%			Long Beach Mortgage Loan Trust (€)		
Asset-Backed Securities - 6.4%			Series 2003-1, Class A2		
American Airlines, Inc.			2.818% due 03/25/33	146	147
7.858% due 10/01/11	140	145	Series 2004-A, Class A		
Argent Securities, Inc. (€)			2.568% due 02/25/24	263	263
Series 2004-W11, Class A2			Nelnet Student Loan Trust (€)		
2.598% due 11/25/34	279	279	Series 2004-4, Class A1		
Centex Home Equity (€)			2.017% due 04/25/11	300	300
Series 2004-B, Class AV2			Park Place Securities, Inc. (€)		
2.518% due 03/25/34	208	208	Series 2004-WCW, Class A6		
Citifinancial Mortgage Securities, Inc.			2.568% due 10/25/34	472	472
Series 2003-3, Class AF2			Parker Hannifin Employee Stock		
3.082% due 08/25/33	75	75	Ownership Trust (P)		
Series 2003-4, Class AF3			6.340% due 07/15/08	217	227
3.221% due 10/25/33	75	75	Renaissance Home Equity Loan		
Countrywide Asset-Backed			Trust (€)		
Certificates (€)			Series 2004-2, Class AF1		
Series 2004-10, Class AF2			2.618% due 07/25/34	660	660
3.323% due 05/25/22	190	188	Residential Asset Mortgage Products,		
Series 2004-13, Class AF2			Inc.		
3.683% due 08/25/24	140	139	Series 2004-RS1, Class AI2		
Series 2004-6, Class 2A1			3.620% due 07/25/26	135	134
2.608% due 10/25/21	388	388	Series 2004-RS4, Class AI3		
Series 2004-7, Class AF2			4.003% due 01/25/30	205	206
3.324% due 12/25/23	275	273	Series 2004-RS6, Class AI3		
Series 2004-7, Class 2AV1			4.540% due 08/25/28	165	167
2.568% due 12/25/22	100	100	Series 2004-RS7, Class AI3		
Credit-Based Asset Servicing and			4.450% due 07/25/28	355	359
Securitization (€)			Series 2004-RS8, Class AI2		
Series 2004-CB5, Class AV1			3.810% due 01/25/26	160	160
2.548% due 09/25/21	448	448	Series 2004-RS8, Class AI3		
Series 2004-CB3, Class AV2			4.230% due 05/25/29	105	105
2.528% due 03/25/34	116	116	Series 2004-RS8, Class AI11 (€)		
Equity One ABS, Inc. (€)			2.558% due 05/25/26	720	720
Series 2004-2, Class AF1			Residential Asset Securities Corp.		
2.528% due 07/25/34	473	473	Series 2004-KS8, Class AI2		
Fannie Mae			3.340% due 10/25/24	395	392
Series 1992-10, Class ZD			Series 2003-KS1, Class AI3		
8.000% due 11/25/21	722	753	3.320% due 02/25/29	160	159
GMAC Mortgage Corp. Loan Trust			Sears Credit Account Master Trust (€)		
Series 2004-HE5, Class A3			Series 2002-4, Class A		
3.970% due 09/25/34	320	315	2.533% due 08/18/09	800	801
GSAMP Trust (€)			Series 2002-5, Class A		
Series 2004-SEA, Class A2A			2.783% due 11/17/09	800	800
2.708% due 03/25/34	314	314	Structured Asset Securities Corp.		
Home Equity Mortgage Trust (€)			Series 2004-19X, Class A2		
Series 2004-4, Class A2			4.370% due 10/25/34	400	397
2.568% due 12/25/34	377	377	Tenaska Alabama II Partners, LP (P)		
			6.125% due 03/30/23	111	116

Russell Investment Funds

Core Bond Fund

Schedule of Investments, continued — December 31, 2004

Amounts in thousands (except share amounts)

	Principal Amount (\$) or Shares	Market Value \$		Principal Amount (\$) or Shares	Market Value \$
Wells Fargo Home Equity Trust (É) Series 2004-2, Class A31 2.578% due 06/25/19	89	89	Clorox Co. (P) 4.200%-5.000% due 01/15/10-01/15/15	170	172
		11,340	Columbus Southern Power Co. Series C 5.500% due 03/01/13	55	57
Corporate Bonds and Notes - 11.2%			Comcast Cable Communications 8.375% due 05/01/07	195	216
Amerada Hess Corp. 7.300% due 08/15/31	105	117	Comcast Corp. 5.850% due 01/15/10	130	139
American Electric Power Co., Inc. Series C 5.375% due 03/15/10	35	37	Continental Airlines, Inc. Series 00-1 7.918% due 05/01/10	105	106
American RE Corp. Series B 7.450% due 12/15/26	245	272	Countrywide Home Loans, Inc. Series MTNK 5.500% due 02/01/07	50	52
Ametek, Inc. 7.200% due 07/15/08	175	190	Credit Suisse First Boston USA, Inc. 4.625%-5.500% due 01/15/08-08/15/13	110	114
BAE Systems Holdings, Inc. (P) 6.400% due 12/15/11	350	392	DaimlerChrysler NA Holding Corp. (É) Series MTND 2.640% due 11/17/06	600	600
Bank of America Corp. 7.800% due 02/15/10	30	35	Detroit Edison Co. 6.350% due 10/15/32	90	98
BankBoston Corp. Series B 8.250% due 12/15/26	80	88	Devon Financing Corp. ULC 6.875% due 09/30/11	95	108
BellSouth Corp. 4.750%-5.200% due 11/15/12-12/15/16	125	126	Dominion Resources, Inc. Series B 6.250% due 06/30/12	40	44
Boeing Capital Corp. 6.100% due 03/01/11	65	71	DPL, Inc. 8.250% due 03/01/07	160	173
Burlington Northern Santa Fe Corp. 6.750%-6.875% due 12/01/27-03/15/29	35	40	Dresdner Funding Trust I (P) 8.151% due 06/30/31	185	229
Campbell Soup Co. 5.875% due 10/01/08	70	75	Duke Capital LLC 4.302% due 05/18/06	70	71
CenterPoint Energy Houston Electric LLC Series J2 5.700% due 03/15/13	110	117	Duke Energy Field Services LLC 5.750%-6.875% due 11/15/06-02/01/11	50	53
CenterPoint Energy Resources Corp. Series B 7.875% due 04/01/13	170	202	El Paso Corp. 8.050% due 10/15/30	400	387
CIT Group, Inc. 5.750%-6.875% due 09/25/07-11/01/09	120	129	Eli Lilly & Co. 6.770% due 01/01/36	245	291
Citigroup, Inc. 3.500% due 02/01/08	560	557	FedEx Corp. 7.600% due 07/01/97	65	76
5.000% due 09/15/14 (P)	230	231	Fifth Third Bank 7.750% due 08/15/10	155	159
			Financing Corp. Series 15P Principal Only Strip Zero Coupon due 03/07/19	70	34

Russell Investment Funds

Core Bond Fund

Schedule of Investments, continued — December 31, 2004

Amounts in thousands (except share amounts)

	Principal Amount (\$) or Shares	Market Value \$		Principal Amount (\$) or Shares	Market Value \$
FirstEnergy Corp.			JP Morgan & Co., Inc.		
Series A			Series MTNA		
5.500% due 11/15/06	40	41	6.000% due 01/15/09	120	128
Series B			Kellogg Co.		
6.450% due 11/15/11	195	212	Series B		
Series C			6.600% due 04/01/11	395	442
7.375% due 11/15/31	115	131	KeySpan Corp.		
Ford Motor Co.			7.625% due 11/15/10	150	176
6.375% due 02/01/29	70	63	Kraft Foods, Inc.		
Ford Motor Credit Co.			5.250%-5.625%		
7.375%-7.875%			due 06/01/07-11/01/11	515	544
due 06/15/10-02/01/11	650	706	Kroger Co. (The)		
General Electric Capital Corp.			7.500%-8.000%		
Series MTNA			due 09/15/29-04/01/31	30	37
4.750%-6.000%			Lehman Brothers Holdings, Inc.		
due 06/15/12-09/15/14	115	117	6.625% due 01/18/12	155	173
General Electric Co.			Liberty Media Corp.		
5.000% due 02/01/13	305	313	3.500% due 09/25/06	185	184
General Motors Acceptance Corp.			Manufacturers & Traders Trust Co.		
6.875%-7.250%			8.000% due 10/01/10	75	89
due 03/02/11-02/01/12	610	627	May Department Stores Co. (The)		
2.990% due 04/13/06 (€)	800	797	5.750% due 07/15/14 (P)	90	92
Glencore Funding LLC (P)			4.800%-5.750%		
6.000% due 04/15/14	60	58	due 07/15/09-07/15/14	50	51
Golden West Financial Corp.			Midland Funding II		
4.125% due 08/15/07	110	112	Series B		
Goldman Sachs Group, Inc.			13.250% due 07/23/06	140	154
6.875% due 01/15/11	270	305	Miller Brewing Co. (P)		
HCA, Inc.			5.500% due 08/15/13	140	146
5.250%-7.500%			Mizuho Preferred Capital Co. LLC (P)		
due 11/06/08-11/06/33	115	116	8.790% due 04/15/14	315	357
Historic TW, Inc.			Monumental Global Funding II (P)		
8.050%-9.125%			3.850% due 03/03/08	155	155
due 01/15/13-01/15/16	495	609	Morgan Stanley		
HJ Heinz Co.			6.750% due 04/15/11	205	230
6.375% due 07/15/28	20	22	Natexis Ambs Co. LLC (f)		
HJ Heinz Finance Co.			8.440% due 12/29/49	120	135
6.750% due 03/15/32	55	64	National Rural Utilities Cooperative		
Household Finance Corp.			Finance Corp.		
4.750%-6.375%			5.750% due 08/28/09	70	75
due 05/15/09-11/27/12	435	456	NB Capital Trust IV		
HVB Funding Trust I (P)			8.250% due 04/15/27	90	100
8.741% due 06/30/31	150	193	News America Holdings		
International Lease Finance Corp.			7.750%-9.250%		
6.375% due 03/15/09	125	135	due 02/01/13-10/17/96	240	294
International Paper Co.			News America, Inc.		
5.500% due 01/15/14	140	145	6.750% due 01/09/38	20	22
ITT Industries, Inc.			Nisource Finance Corp.		
7.400% due 11/15/25	100	116	7.875% due 11/15/10	155	182

Russell Investment Funds

Core Bond Fund

Schedule of Investments, continued — December 31, 2004

Amounts in thousands (except share amounts)

	Principal Amount (\$) or Shares	Market Value \$		Principal Amount (\$) or Shares	Market Value \$
Norfolk Southern Corp. 7.050%-7.900% due 05/15/17-05/15/97	245	304	Univision Communications, Inc. 7.850% due 07/15/11	90	106
Occidental Petroleum Corp. 9.250% due 08/01/19	95	131	Verizon Florida, Inc. Series F 6.125% due 01/15/13	85	90
Ohio Power Co. Series F 5.500% due 02/15/13	20	21	Wells Fargo & Co. 4.950% due 10/16/13	65	66
Pacific Gas & Electric Co. 3.600%-6.050% due 03/01/09-03/01/34	175	176	Wells Fargo Bank NA 7.550% due 06/21/10	50	58
Progress Energy, Inc. 7.000%-7.100% due 03/01/11-10/30/31	165	184	Weyerhaeuser Co. 6.750% due 03/15/12	55	62
Qwest Capital Funding, Inc. 7.000% due 08/03/09	25	25	Wisconsin Central Transport 6.625% due 04/15/08	325	351
Qwest Services Corp. (P) 14.000% due 12/15/10	40	48	Wyeth 5.500%-5.500% due 03/15/13-02/01/14	70	72
RBS Capital Trust I (f) 5.512% due 09/29/49	210	215	Yum! Brands, Inc. 8.875% due 04/15/11	120	148
RC Trust 1 Equity Preferred 7.000% due 05/15/06	290	152	Zurich Capital Trust I (P) 8.376% due 06/01/37	245	275
Safeway, Inc. 7.250% due 02/01/31	25	29			<u>19,686</u>
SBC Communications, Inc. 4.125%-5.100% due 09/15/09-09/15/14	155	156	International Debt - 5.9%		
Sprint Capital Corp. 6.125%-8.750% due 11/15/08-03/15/32	435	513	Abbey National PLC (Step Up, 7.570%, 06/15/08) (f) 6.700% due 06/29/49	150	162
Tele-Communications-TCI Group 7.875%-9.800% due 02/01/12-08/01/13	425	522	Argentina Government International Bond 11.375%-11.375% due 03/15/10-01/30/17	265	90
Texas Genco LLC (P) 6.875% due 12/15/14	40	41	AXA 8.600% due 12/15/30	50	66
Time Warner, Inc. 6.750% due 04/15/11	175	197	Brazilian Government International Bond 8.875%-11.000% due 10/22/10-04/15/24	980	1,142
Travelers Property Casualty Corp. 5.000% due 03/15/13	80	78	3.063%-8.299% due 04/15/06-04/15/12 (E)	199	216
TXU Corp. (P) 4.800%-6.550% due 11/15/09-11/15/34	385	384	British Sky Broadcasting PLC 8.200% due 07/15/09	210	243
Tyson Foods, Inc. 8.250% due 10/01/11	60	71	British Telecommunications PLC 8.375%-8.875% due 12/15/10-12/15/30	110	135
Union Pacific Corp. 5.750%-6.125% due 10/15/07-01/15/12	175	190	Conoco Funding Co. 6.350% due 10/15/11	405	452
Union Planters Corp. 7.750% due 03/01/11	50	59			

Russell Investment Funds

Core Bond Fund

Schedule of Investments, continued — December 31, 2004

Amounts in thousands (except share amounts)

	Principal Amount (\$) or Shares	Market Value \$		Principal Amount (\$) or Shares	Market Value \$
Deutsche Telekom International Finance BV 8.500%-8.750% due 06/15/10-06/15/30	365	457	Russia Government International Bond (P) 5.000%-8.250% due 03/31/10-03/31/30	895	939
EnCana Corp. 6.500% due 08/15/34	40	44	Santander Financial Issuances 6.375% due 02/15/11	110	121
Export-Import Bank Of Korea (P) 4.125% due 02/10/09	120	120	Sanwa Finance Aruba AEC 8.350% due 07/15/09	135	157
France Telecom SA 7.950%-9.250% due 03/01/06-03/01/31	950	1,079	Shaw Communications, Inc. 7.200%-8.250% due 04/11/10-12/15/11	165	186
Intelsat, Ltd. 6.500% due 11/01/13	205	187	Stora Enso OYJ 7.375% due 05/15/11	85	97
Ispat Inland ULC 9.750% due 04/01/14	154	190	Systems 2001 AT LLC (P) 7.156% due 12/15/11	141	154
Korea Development Bank 4.250% due 11/13/07	50	50	Telecom Italia Capital SA 4.000%-6.000% due 01/15/10-09/30/34 (P)	210	206
Korea Electric Power Corp. (P) 5.125% due 04/23/34	60	60	5.250%-6.375% due 11/15/13- 11/15/33	310	314
Mexico Government International Bond 6.375%-8.375% due 01/14/11-08/15/31	495	566	TELUS Corp. 7.500%-8.000% due 06/01/07-06/01/11	515	592
Mizuho Financial Group Cayman, Ltd. (P) 5.790% due 04/15/14	150	158	Tengizchevroil Finance Co. (P) 6.124% due 11/15/14	215	215
Morgan Stanley Bank AG for OAO Gazprom (P) 9.625% due 03/01/13	100	118	UFJ Finance Aruba AEC 6.750% due 07/15/13	35	39
Panama Government International Bond 9.375% due 07/23/12	100	118			10,448
Peru Government International Bond 9.125%-9.875% due 02/21/12-02/06/15	400	478	Mortgage-Backed Securities - 34.0%		
Petroleos Mexicanos 9.500% due 09/15/27	35	44	Bank of America Commercial Mortgage, Inc. Series 2004-4, Class A3 4.128% due 07/10/42	300	300
Poland Government International Bond (Step Up, 5.000%, 11/01/14) 4.750% due 10/27/24	200	189	Series 2004-3, Class A3 4.875% due 06/10/39	445	458
Province of Quebec 5.000%-7.500% due 07/17/09-07/15/23	220	276	Bank of America Mortgage Securities Series 2004-1, Class 5A1 6.500% due 09/25/33	41	42
Royal Bank of Scotland Group PLC (f) Series 1 9.118% due 03/31/49	550	670	Bear Stearns Adjustable Rate Mortgage Trust Series 2003-1, Class 6A1 5.112% due 04/25/33	144	144
Royal KPN NV 8.000% due 10/01/10	100	118	Series 2003-8, Class 4A1 4.771% due 01/25/34	308	306

Russell Investment Funds

Core Bond Fund

Schedule of Investments, continued — December 31, 2004

Amounts in thousands (except share amounts)

	Principal Amount (\$) or Shares	Market Value \$		Principal Amount (\$) or Shares	Market Value \$
Countrywide Alternative Loan Trust			Series 2003-263, Class IA Interest		
Series 2004-J7, Class 1A6			Only		
5.013% due 08/25/34	410	411	5.000% due 06/15/22	904	66
Series 2004-J7, Class 1A2			Series 2003-264, Class IC Interest		
4.673% due 08/25/34	395	395	Only		
CS First Boston Mortgage Securities			5.000% due 05/15/22	730	81
Corp.			Series 2004-285, Class PI Interest		
Series 2002-18, Class 1AIO Interest			Only		
Only			5.500% due 05/15/24	396	45
7.500% due 06/25/32	400	—	Series 2004-287, Class IA Interest		
Series 2001-AR2, Class 3A			Only		
6.156% due 12/25/31	69	70	5.500% due 04/15/24	247	27
Series 2002-22, Class 1AIO Interest			Series 2004-288, Class QI Interest		
Only			Only		
8.000% due 07/25/32	351	—	5.500% due 02/15/24	345	37
Fannie Mae			Series 2004-288, Class HC		
15 Year TBA (I)			5.500% due 07/15/28	385	399
5.000%-5.500%	5,580	5,694	Series 2004-290, Class PB		
30 Year TBA (I)			5.500% due 03/15/28	310	321
4.500%-6.500%	14,630	14,797	Series 2000-226, Class F		
3.025%-3.974% due 2017-2036 (E)	920	931	2.853% due 11/15/30	49	49
4.500%-7.000% due 2016-2034	11,016	11,196	GE Capital Commercial Mortgage Corp.		
Series 2004-27, Class JC			Series 2004-C2, Class A4		
5.000% due 05/25/34	363	358	4.893% due 03/10/40	755	762
Fannie Mae Whole Loan			Ginnie Mae I		
Series 2002-W6, Class 2AIO			30 Year TBA (I)		
Interest Only			5.000%-5.500%	7,610	7,688
0.294% due 06/25/42	80	—	6.000%-6.500% due 2029-2032	277	291
Series 2003-W1, Class 1A1			Ginnie Mae II		
6.500% due 12/25/42	104	108	30 Year TBA (I)		
Federal Home Loan Mortgage Corp.			5.500%	120	122
Structured Pass Through Securities			2.750%-3.750% due 2026-2032	869	878
Series 2004-H01, Class A1			Government National Mortgage		
2.614% due 07/15/11	907	897	Association (E)		
First Nationwide Trust (E)			Series 2000-29, Class F		
Series 2001-4, Class 3A5			2.910% due 09/20/30	68	68
3.018% due 09/25/31	7	7	Series 2004-64, Class JH		
Freddie Mac			5.500% due 07/20/30	240	249
15 Year TBA (I)			Greenwich Capital Commercial		
5.500%	555	573	Funding Corp.		
30 Year TBA (I)			Series 2004-GG1, Class A7		
5.500%-6.000%	3,590	3,649	5.317% due 06/10/36	285	296
5.000%-6.000% due 2016-2034	2,937	3,017	GS Mortgage Securities Corp. II		
7.829% due 2030 (E)	4	4	Series 2004-GG2, Class A6		
Series 2002-250, Class L			5.396% due 08/10/38	285	297
5.500% due 03/15/15	2	2			
Series 2003-263, Class IO Interest					
Only					
5.000% due 10/15/27	671	76			

Russell Investment Funds

Core Bond Fund

Schedule of Investments, continued — December 31, 2004

Amounts in thousands (except share amounts)

	Principal Amount (\$) or Shares	Market Value \$		Principal Amount (\$) or Shares	Market Value \$
JP Morgan Chase Commercial Mortgage Securities Corp.			Tobacco Settlement Financing Corp.		
Series 2003-ML1, Class A2			Revenue Bonds, weekly demand		
4.767% due 03/12/39	370	373	6.250% due 06/01/43	200	188
Series 2004-LN2, Class A1			Tobacco Settlement Financing Corp.		
4.475% due 07/15/41	395	398	Revenue Bonds, weekly demand		
LB-UBS Commercial Mortgage Trust			4.375% due 06/01/19	100	100
Series 2004-C4, Class A3			University of Texas Revenue Bonds,		
4.987% due 06/15/29	640	666	weekly demand		
Mellon Residential Funding Corp. (€)			5.000% due 08/15/33	100	102
Series 2000-TBC, Class A1					<u>791</u>
2.643% due 06/15/30	420	419	Non-US Bonds - 0.5%		
Merrill Lynch Mortgage Trust			United Kingdom Gilt		
Series 2004-MKB, Class A2			5.750% due 12/07/09	GBP 400	810
4.353% due 02/12/42	380	384	United States Government Agencies - 1.5%		
Morgan Stanley Capital I			Fannie Mae		
Series 2004-HQ3, Class A2			4.375% due 03/15/13	345	344
4.050% due 01/13/41	400	397	Financing Corp. Principal Only		
Nomura Asset Acceptance Corp.			Zero Coupon due 05/11/18-		
Series 2004-AP3, Class A3			09/26/19	765	368
4.423% due 10/25/34	465	460	Freddie Mac		
Prime Mortgage Trust (€)			2.750%-4.000% due 03/15/08-		
Series 2004-CLI, Class 1A2			12/15/09	1,640	1,641
2.818% due 02/25/34	104	104	Residual Funding Principal Only		
SACO I, Inc. (€)(P)			Zero Coupon due 10/15/20	600	267
Series 2004-2, Class A2					<u>2,620</u>
2.608% due 07/25/19	450	450	United States Government Treasuries - 14.5%		
Sequoia Mortgage Trust (€)			United States Treasury Inflation		
Series 2001-5, Class A			Indexed Bonds		
2.760% due 10/19/26	306	306	0.875%-4.250% due 01/15/07-		
Small Business Administration			07/15/14	9,387	10,082
Series 2000-P10, Class 1			United States Treasury Note		
7.449% due 08/01/10	45	48	2.500%-8.875% due 05/15/06-		
Structured Asset Securities Corp.			02/15/26	14,530	15,351
Series 2004-21X, Class 1A3					<u>25,433</u>
4.440% due 12/25/34	650	654			
		<u>59,770</u>	Total Long-Term Investments		
Municipal Bonds - 0.4%			(cost \$128,250)		<u>130,898</u>
Golden State Tobacco Securitization					
Corp. Revenue Bonds, weekly					
demand					
6.750% due 06/01/39	400	401			

Russell Investment Funds

Core Bond Fund

Schedule of Investments, continued — December 31, 2004

Amounts in thousands (except share amounts)

	Principal Amount (\$) or Shares	Market Value \$		Principal Amount (\$) or Shares	Market Value \$
Preferred Stocks - 0.4%			Dexia Delaware (c)(z)		
Financial Services - 0.4%			2.010%-2.040%		
Centaur Funding Corp. (P)	165,000	217	due 01/21/05-01/25/05	2,400	2,397
DG Funding Trust (P)	49	525	Fannie Mae Discount Note (z)		
			1.968%-2.197%		
Total Preferred Stocks			due 01/05/05-02/16/05 (c)	4,900	4,895
(cost \$693)		742	2.349%-2.390% due 03/16/05	700	696
			Federal Home Loan Bank Discount Note (c)(z)		
			1.955%-2.028%		
			due 01/14/05-01/28/05	3,800	3,795
			Federal Home Loan Bank System		
			4.125% due 01/14/05	185	185
Options Purchased - 0.0%			Federal Home Loan Discount Corp. (z)		
(Number of Contracts)			2.308%-5.500%		
Eurodollar Futures			due 03/02/05-03/09/05	3,300	3,281
Jun 2005 95.00 Put (50)	11,875	—	Federal National Mortgage Association Discount (z)		
United States Treasury Bond Futures			2.248%-2.430%		
Feb 2005 115.00 Call (2)	230	1	due 03/02/05-03/23/05	3,000	2,982
Feb 2005 116.00 Call (1)	116	1	Ford Motor Credit Co.		
			2.306%-7.600%		
Total Options Purchased			due 03/15/05-08/01/05	900	913
(cost \$3)		2	Frank Russell Investment Company Money Market Fund	27,713,000	27,713
			Freddie Mac Discount Note (z)		
			1.940%-1.950%		
			due 01/04/05-01/18/05	1,700	1,699
			2.183% due 03/08/05	1,000	994
			General Electric Capital Corp. Discount Note (c)(z)		
Short-Term Investments - 45.5%			1.920%-2.355%		
ANZ Delaware, Inc. (z)			due 01/03/05-03/01/05	2,600	2,594
2.375% due 02/22/05 (c)	1,000	997	HBOS Treasury Services, PLC (z)		
2.420% due 03/16/05	1,600	1,590	2.070% due 02/22/05 (c)	1,500	1,496
ASIF II			2.370%-2.435%		
1.200% due 01/26/05	JPY 120,000	1,172	due 03/08/05-03/22/05	1,000	993
Barclays US Funding, LLC (z)			ING US Funding, LLC (z)		
1.985%-2.060%			2.445% due 03/21/05	2,300	2,287
due 02/01/05-02/22/05 (c)	1,800	1,795	Lloyds Bank PLC (z)		
2.365% due 03/07/05	200	199	2.250% due 01/14/05	1,400	1,399
CBA Del Finance Discount Note (z)			Niagara Mohawk Power Corp. Series F		
2.380% due 03/07/05	1,200	1,193	7.625% due 10/01/05	132	137
Citibank New York Commercial Paper (c)(z)			Rabobank USA Financial Corp. (c)(z)		
2.030% due 01/24/05	900	900	2.170% due 01/03/05	2,300	2,300
Danske Corp. (c)(z)					
1.790% due 02/14/05	1,200	1,197			
Danske Corp. Discount Note (z)					
2.370% due 03/14/05	1,400	1,391			

Russell Investment Funds

Core Bond Fund

Schedule of Investments, continued — December 31, 2004

Amounts in thousands (except share amounts)

	Principal Amount (\$) or Shares	Market Value \$		Principal Amount (\$) or Shares	Market Value \$
Residential Asset Mortgage Products, Inc.			Warrants & Rights - 0.1%		
Series 2002-RZ4, Class AIO Interest Only	367	4	Miscellaneous - 0.1%		
Royal Bank of Scotland (€)(£)			Mexico Government International Bond Value Recovery Rights (Æ)		
2.025% due 01/21/05	900	899	Series B	2,500	34
Santander Financial Issuances			Series D	2,496	49
6.800% due 07/15/05	45	46	Series E	1,900	23
Shell Finance (€)					106
2.340% due 03/08/05	1,600	1,591	Utilities - 0.0%		
Spintab Swedish Mortgage (€)(£)			GT Group Telecom, Inc.		
2.060% due 01/03/05	1,200	1,200	2010 Warrants (Æ)(P)(Å)	175	—
Swedbank Forenings (€)			Total Warrants & Rights		
2.370%-2.445% due 03/07/05-03/28/05	1,300	1,292	(cost \$40)		106
UBS Financial Del, LLC (€)			Total Investments - 120.4%		
2.200% due 01/03/05 (€)	200	200	(identified cost \$208,779)		211,731
2.370%-2.390% due 03/10/05-03/14/05	2,400	2,386	Other Assets and Liabilities, Net - (20.4%)		(35,880)
Unicredit Delaware (€)(£)			Net Assets - 100.0%		175,851
1.985% due 01/31/05	400	399			
United States Treasury Bills (€)(£)					
1.940%-2.180% due 03/03/05-03/31/05	730	725			
Wachovia Corp.					
7.550% due 08/18/05	50	51			
Total Short-Term Investments					
(cost \$79,793)		79,983			

See accompanying notes which are an integral part of the financial statements.

Russell Investment Funds

Core Bond Fund

Schedule of Investments, continued — December 31, 2004

Amounts in thousands

Futures Contracts (Number of Contracts)	Notional Amount \$	Unrealized Appreciation (Depreciation) \$	Options Written (Number of Contracts)	Notional Amount \$	Market Value \$			
Long Positions			Euribor Futures					
Eurodollar Futures			Jun 2005 94.25 (GBP) Put (3)	679	—			
expiration date 06/05 (1)	242	(1)	Jun 2005 97.50 (EUR) Put (12)	3,986	(7)			
expiration date 09/05 (85)	20,530	(108)	United States Treasury Notes					
expiration date 12/05 (58)	13,984	(20)	10 Year Futures					
Germany, Federal Republic			Feb 2005 114.00 Call (63)	7,182	(14)			
10 Year Bonds			Feb 2005 108.00 Put (44)	4,752	(5)			
expiration date 03/05 (31)	4,997	(7)	Total Liability for Options Written					
Japan Government			(premiums received \$43)					
10 Year Bonds					(26)			
expiration date 03/05 (1)	1,350	1	Foreign Currency Exchange Contracts					
United States Treasury Bonds					Unrealized Appreciation (Depreciation) \$			
expiration date 03/05 (65)	7,313	(63)	Amount Sold	Amount Bought	Settlement Date			
United States Treasury 2 Year Notes			USD	109	EUR	80	01/10/05	—
expiration date 03/05 (48)	10,061	(5)	USD	369	EUR	275	01/10/05	(6)
United States Treasury 5 Year Notes			USD	318	JPY	32,579	01/06/05	—
expiration date 03/05 (18)	1,972	(3)	USD	101	JPY	10,781	01/27/05	(4)
United States Treasury 10 Year Notes			EUR	167	USD	221	01/10/05	6
expiration date 03/05 (112)	12,537	2	EUR	650	USD	866	03/18/05	19
Short Positions			JPY	6,000	USD	57	01/27/05	1
United States Treasury 5 Year Notes			JPY	6,966	USD	67	01/27/05	1
expiration date 03/05 (57)	6,243	(30)						17
United States Treasury 10 Year Notes								17
expiration date 03/05 (17)	1,903	(14)						17
Total Unrealized Appreciation (Depreciation) on Open Futures Contracts		<u>(248)</u>						

See accompanying notes which are an integral part of the financial statements.

Russell Investment Funds

Core Bond Fund

Schedule of Investments, continued — December 31, 2004

Amounts in thousands

Interest Rate Swaps

Counter Party	Notional Amount \$	Fund Receives	Fund Pays	Termination Date	Market Value \$
Bank of America	USD 5,500	Three Month LIBOR	4.000%	12/15/09	(54)
Barclay's Bank PLC	GBP 50	Six Month LIBOR	5.000%	06/16/11	1
Barclay's Bank PLC	GBP 400	Six Month LIBOR	5.000%	06/18/34	(24)
Goldman Sachs	USD 600	Three Month LIBOR	5.000%	06/15/15	(10)
Greenwick Capital					
Derivatives	USD 1,000	Three Month LIBOR	4.000%	06/15/10	(10)
J.P. Morgan	EUR 600	Six Month LIBOR	6.000%	06/18/34	79
Lehman Brothers	USD 1,000	Three Month LIBOR	5.000%	06/15/15	(16)
Merrill Lynch	EUR 900	Six Month LIBOR	4.000%	03/15/07	31
Morgan Stanley	USD 4,500	Three Month LIBOR	5.000%	06/15/15	(73)
Morgan Stanley	USD 3,300	Three Month LIBOR	4.000%	06/15/07	18
UBS	JPY 125,000	Six Month LIBOR	2.000%	06/15/12	(66)
Total Market Value of Interest Rate Swaps					
premiums paid (received) - (\$182)					(124)

See accompanying notes which are an integral part of the financial statements.

Russell Investment Funds

Core Bond Fund

Schedule of Investments, continued — December 31, 2004

Amounts in thousands

Portfolio Summary (Unaudited)	% of Net Assets
Asset-Backed Securities	6.4
Corporate Bonds and Notes	11.2
International Debt	5.9
Mortgage-Backed Securities	34.0
Municipal Bonds	0.4
Non-US Bonds	0.5
United States Government Agencies	1.5
United States Government Treasuries	14.5
Preferred Stocks	0.4
Options Purchased	—*
Short-Term Investments	45.5
Warrants & Rights	0.1
Total Investments	120.4
Other Assets and Liabilities, Net	(20.4)
Net Assets	100.0
Futures Contracts	0.1
Options Written	—*
Foreign Currency Exchange Contract	—*
Interest Rate Swaps	0.1

* Less than .05%

See accompanying notes which are an integral part of the financial statements.

Russell Investment Funds

Notes to Schedules of Investments — December 31, 2004

Footnotes:

- (Æ) Nonincome-producing security.
- (ö) Real Estate Investment Trust (REIT).
- (§) Held as collateral in connection with futures contracts purchased (sold), options written, or swaps entered into by the Fund.
- (z) Rate noted is yield-to-maturity from date of acquisition.
- (c) At amortized cost, which approximates market.
- (É) Adjustable or floating rate security. Rate shown reflects rate in effect at period end.
- (I) Forward commitment.
- (f) Perpetual floating rate security. Rate shown reflects rate in effect at period end.
- (µ) Bond is insured by a guarantor.
- (Å) This security has been valued by the Security Valuation Committee. It is possible that the estimated value may differ significantly from the amount that might ultimately be realized.
- (æ) Pre-refunded: These bonds are collateralized by US Treasury securities, which are held in escrow by a trustee and used to pay principal and interest in the tax-exempt issue and to retire the bonds in full at the earliest refunding date. The rate noted is for descriptive purposes; effective yield may vary.
- (Ø) In default.
- (β) Illiquid security.
- (×) The security is purchased with the cash collateral from the securities loaned.
- (Ñ) All or a portion of the shares of this security are on loan.
- (b) Restricted security. Security may have contractual restrictions on resale, may have been offered in a private placement transaction, and may not be registered under the Securities Act of 1933.

Abbreviations:

ADR - American Depositary Receipt
GDR - Global Depositary Receipt
ADS - American Depositary Share
CMO - Collateralized Mortgage Obligation
CVO - Contingent Value Obligation
144A - Represents private placement security for qualified buyers according to rule 144A of the Securities Act of 1933.
GDS - Global Depositary Share
LIBOR - London Interbank Offered Rate
PIK - Payment in Kind
FDIC - Federal Deposit Insurance Company
REMIC - Real Estate Mortgage Investment Conduit
STRIP - Separate Trading of Registered Interest and Principal of Securities
TBA - To Be Announced Security

Foreign Currency Abbreviations:

ARS - Argentine peso	GBP - British pound sterling	PEN - Peruvian nouveau sol
AUD - Australian dollar	HKD - Hong Kong dollar	PHP - Philippine peso
BRL - Brazilian real	HUF - Hungarian forint	PLN - Polish zloty
CAD - Canadian dollar	IDR - Indonesian rupiah	RUB - Russian ruble
CHF - Swiss franc	ILS - Israeli shekel	SEK - Swedish krona
CLP - Chilean peso	INR - Indian rupee	SGD - Singapore dollar
CNY - Chinese renminbi yuan	ITL - Italian lira	SKK - Slovakian koruna
COP - Colombian peso	JPY - Japanese yen	THB - Thai baht
CRC - Costa Rica colon	KES - Kenyan schilling	TRL - Turkish lira
CZK - Czech koruna	KRW - South Korean won	USD - United States dollar
DKK - Danish krone	MXN - Mexican peso	VEB - Venezuelan bolivar
EGP - Egyptian pound	MYR - Malaysian ringgit	VND - Vietnamese dong
EUR - Euro	NZD - New Zealand dollar	ZAR - South African rand

Russell Investment Funds

Statement of Assets and Liabilities — December 31, 2004

Amounts in thousands	Multi-Style Equity Fund
Assets	
Investments, at identified cost	\$ 289,463
Investments, at market***	333,338
Foreign currency holdings*	—
Unrealized appreciation on foreign currency exchange contracts	—
Receivables:	
Dividends and interest	381
Dividends from affiliated money market funds	28
Investments sold	2,524
Fund shares sold	140
Foreign taxes recoverable	—
Receivable from related fund	—
From Advisor	—
Daily variation margin on futures contracts	19
Interest rate swap contracts, at market value****	—
Total assets	336,430
Liabilities	
Payables:	
Due to Custodian	—
Investments purchased	2,499
Fund shares redeemed	30
Accrued fees to affiliates	223
Other accrued expenses	30
Daily variation margin on futures contracts	—
Unrealized depreciation on foreign currency exchange contracts	—
Options written, at market value**	—
Payable upon return of securities loaned	889
Interest rate swap contracts, at market value****	—
Total liabilities	3,671
Net Assets	\$ 332,759
Net Assets Consist of:	
Undistributed (overdistributed) net investment income	\$ 1,321
Accumulated net realized gain (loss)	(80,809)
Unrealized appreciation (depreciation) on:	
Investments	43,875
Futures contracts	469
Options written	—
Interest rate swap contracts	—
Foreign currency-related transactions	—
Shares of beneficial interest	264
Additional paid-in capital	367,639
Net Assets	\$ 332,759

See accompanying notes which are an integral part of the financial statements.

Aggressive Equity Fund	Non-U.S. Fund	Real Estate Securities Fund	Core Bond Fund
\$ 184,204	\$ 223,975	\$ 267,317	\$ 208,779
217,822	278,291	386,099	211,731
—	2,481	—	565
—	642	—	27
123	291	1,854	1,009
14	26	26	52
1,136	142	1,579	12,706
30	175	173	136
—	23	—	—
—	—	4,690	—
26	39	—	10
4	35	—	97
—	—	—	129
<u>219,155</u>	<u>282,145</u>	<u>394,421</u>	<u>226,462</u>
—	60	1,122	—
1,329	852	1,260	50,194
22	15	12,002	14
155	206	276	89
44	65	25	21
—	15	—	4
—	579	—	10
—	940	—	26
22,022	20,647	3	—
—	—	—	253
<u>23,572</u>	<u>23,379</u>	<u>14,688</u>	<u>50,611</u>
<u>\$ 195,583</u>	<u>\$ 258,766</u>	<u>\$ 379,733</u>	<u>\$ 175,851</u>
\$ —	\$ (729)	\$ 223	\$ 146
4,367	(45,379)	6,069	1,865
33,618	54,316	118,782	2,952
282	230	—	(248)
—	(52)	—	17
—	—	—	58
—	124	—	29
131	228	222	168
<u>157,185</u>	<u>250,028</u>	<u>254,437</u>	<u>170,864</u>
<u>\$ 195,583</u>	<u>\$ 258,766</u>	<u>\$ 379,733</u>	<u>\$ 175,851</u>

See accompanying notes which are an integral part of the financial statements.

Russell Investment Funds

Statement of Assets and Liabilities, continued — December 31, 2004

	Multi-Style Equity Fund
Net Asset Value , offering and redemption price per share:	
Net asset value per share*****	\$ 12.60
Net assets	\$ 332,759,098
Shares outstanding (\$.01 par value)	26,403,353
Amounts in thousands	
* Foreign currency holdings - cost	\$ —
** Premiums received on options written	\$ —
*** Securities on loan included in investments	\$ 869
**** Interest rate swap contracts - premiums paid (received)	\$ —
***** Net asset value per share equals net assets divided by shares of beneficial interest outstanding	

See accompanying notes which are an integral part of the financial statements.

Aggressive Equity Fund		Non-U.S. Fund		Real Estate Securities Fund		Core Bond Fund	
\$	14.90	\$	11.33	\$	17.09	\$	10.50
\$	195,583,015	\$	258,765,629	\$	379,732,956	\$	175,850,594
	13,125,244		22,829,056		22,215,412		16,750,929
<hr/>							
\$	—	\$	2,429	\$	—	\$	556
\$	—	\$	888	\$	—	\$	43
\$	21,387	\$	19,630	\$	3	\$	—
\$	—	\$	—	\$	—	\$	(182)

See accompanying notes which are an integral part of the financial statements.

Russell Investment Funds

Statement of Operations — For the Fiscal Year Ended December 31, 2004

Amounts in thousands	Multi-Style Equity Fund
Investment Income	
Dividends	\$ 5,467
Dividends from affiliated money market funds	186
Interest	16
Securities lending income	12
Less foreign taxes withheld	—
Total investment income	<u>5,681</u>
Expenses	
Management fees	2,419
Custodian fees	226
Transfer agent fees	1
Professional fees	55
Trustees' fees	8
Printing fees	10
Miscellaneous	22
Expenses before reductions	2,741
Expense reductions	(43)
Net expenses	<u>2,698</u>
Net investment income (loss)	<u>2,983</u>
Net Realized and Unrealized Gain (Loss)	
Net realized gain (loss) on:	
Investments	18,831
Futures contracts	2,557
Options written	—
Index swap contracts	—
Interest rate swap contracts	—
Foreign currency-related transactions	—
Net realized gain (loss)	<u>21,388</u>
Net change in unrealized appreciation (depreciation) on:	
Investments	6,162
Futures contracts	(249)
Options written	—
Index swap contracts	—
Interest rate swap contracts	—
Foreign currency-related transactions	—
Net change in unrealized appreciation (depreciation)	<u>5,913</u>
Net realized and unrealized gain (loss)	<u>27,301</u>
Net Increase (Decrease) in Net Assets from Operations	<u><u>\$ 30,284</u></u>

See accompanying notes which are an integral part of the financial statements.

Aggressive Equity Fund	Non-U.S. Fund	Real Estate Securities Fund	Core Bond Fund
\$ 1,946	\$ 5,286	\$ 9,992	\$ 121
111	184	124	354
16	48	—	4,358
72	152	17	—
—	(584)	—	—
<u>2,145</u>	<u>5,086</u>	<u>10,133</u>	<u>4,833</u>
1,677	2,142	2,573	958
312	647	127	150
3	2	1	2
46	65	51	50
4	6	7	4
5	6	9	4
21	14	8	5
<u>2,068</u>	<u>2,882</u>	<u>2,776</u>	<u>1,173</u>
<u>(216)</u>	<u>(288)</u>	<u>(3)</u>	<u>(55)</u>
<u>1,852</u>	<u>2,594</u>	<u>2,773</u>	<u>1,118</u>
<u>293</u>	<u>2,492</u>	<u>7,360</u>	<u>3,715</u>
17,081	16,282	30,106	2,802
1,449	1,725	—	1,816
—	(501)	—	261
—	—	—	139
—	—	—	36
—	1,029	—	(444)
<u>18,530</u>	<u>18,535</u>	<u>30,106</u>	<u>4,610</u>
6,173	19,541	58,342	(667)
(51)	(37)	—	(464)
—	(36)	—	(51)
—	—	—	(67)
—	—	—	17
—	(208)	—	240
<u>6,122</u>	<u>19,260</u>	<u>58,342</u>	<u>(992)</u>
<u>24,652</u>	<u>37,795</u>	<u>88,448</u>	<u>3,618</u>
<u>\$ 24,945</u>	<u>\$ 40,287</u>	<u>\$ 95,808</u>	<u>\$ 7,333</u>

See accompanying notes which are an integral part of the financial statements.

Russell Investment Funds

Statement of Changes in Net Assets — For the Fiscal Years Ended December 31,

Amounts in thousands	Multi-Style Equity Fund	
	2004	2003
Increase (Decrease) in Net Assets		
Operations		
Net investment income (loss)	\$ 2,983	\$ 1,977
Net realized gain (loss)	21,388	13,702
Net change in unrealized appreciation (depreciation)	5,913	47,424
Net increase (decrease) in net assets from operations	<u>30,284</u>	<u>63,103</u>
Distributions		
From net investment income	(2,311)	(1,743)
From net realized gain	—	—
From tax return of capital	—	—
Net decrease in net assets from distributions	<u>(2,311)</u>	<u>(1,743)</u>
Share Transactions		
Net increase (decrease) in net assets from share transactions	<u>8,019</u>	<u>28,613</u>
Total Net Increase (Decrease) in Net Assets	35,992	89,973
Net Assets		
Beginning of period	<u>296,767</u>	<u>206,794</u>
End of Period	<u>\$ 332,759</u>	<u>\$ 296,767</u>
Undistributed (overdistributed) net investment income included in net assets	\$ 1,321	\$ 649

See accompanying notes which are an integral part of the financial statements.

Aggressive Equity Fund		Non-U.S. Fund		Real Estate Securities Fund		Core Bond Fund	
2004	2003	2004	2003	2004	2003	2004	2003
\$ 293	\$ 117	\$ 2,492	\$ 1,801	\$ 7,360	\$ 9,111	\$ 3,715	\$ 4,208
18,530	16,388	18,535	579	30,106	(511)	4,610	4,198
6,122	31,170	19,260	53,362	58,342	55,264	(992)	243
<u>24,945</u>	<u>47,675</u>	<u>40,287</u>	<u>55,742</u>	<u>95,808</u>	<u>63,864</u>	<u>7,333</u>	<u>8,649</u>
(297)	(138)	(4,649)	(4,573)	(7,137)	(10,273)	(3,906)	(5,257)
(6,579)	—	—	—	(20,710)	—	(3,110)	(2,755)
—	—	—	—	—	(341)	—	—
<u>(6,876)</u>	<u>(138)</u>	<u>(4,649)</u>	<u>(4,573)</u>	<u>(27,847)</u>	<u>(10,614)</u>	<u>(7,016)</u>	<u>(8,012)</u>
<u>11,129</u>	<u>21,054</u>	<u>16,509</u>	<u>17,610</u>	<u>57,081</u>	<u>41,265</u>	<u>28,332</u>	<u>6,285</u>
29,198	68,591	52,147	68,779	125,042	94,515	28,649	6,922
<u>166,385</u>	<u>97,794</u>	<u>206,619</u>	<u>137,840</u>	<u>254,691</u>	<u>160,176</u>	<u>147,202</u>	<u>140,280</u>
<u>\$ 195,583</u>	<u>\$ 166,385</u>	<u>\$ 258,766</u>	<u>\$ 206,619</u>	<u>\$ 379,733</u>	<u>\$ 254,691</u>	<u>\$ 175,851</u>	<u>\$ 147,202</u>
\$ —	\$ —	\$ (729)	\$ (690)	\$ 223	\$ (1,162)	\$ 146	\$ 434

See accompanying notes which are an integral part of the financial statements.

Russell Investment Funds

Financial Highlights — For the Fiscal Years Ended

For a Share Outstanding Throughout Each Period.

	\$ Net Asset Value, Beginning of Period	\$ Net Investment Income (Loss) ^(a)	\$ Net Realized and Unrealized Gain (Loss)	\$ Total Income from Operations	\$ Distributions from Net Investment Income	\$ Distributions from Net Realized Gain	\$ Return of Capital
Multi-Style Equity Fund							
December 31, 2004	11.56	.11	1.02	1.13	(.09)	—	—
December 31, 2003	9.04	.08	2.51	2.59	(.07)	—	—
December 31, 2002	11.84	.06	(2.80)	(2.74)	(.06)	—	—
December 31, 2001	14.13	.07	(2.06)	(1.99)	(.06)	(.24)	—
December 31, 2000	16.79	.08	(2.10)	(2.02)	(.08)	(.56)	—
Aggressive Equity Fund							
December 31, 2004	13.47	.02	1.95	1.97	(.02)	(.52)	—
December 31, 2003	9.26	.01	4.21	4.22	(.01)	—	—
December 31, 2002	11.44	(.02)	(2.16)	(2.18)	—	—	—
December 31, 2001	11.73	— ^(b)	(.28)	(.28)	— ^(b)	—	(.01)
December 31, 2000	13.36	.04	(.16)	(.12)	(.05)	(1.46)	—
Non-U.S. Fund							
December 31, 2004	9.76	.11	1.66	1.77	(.20)	—	—
December 31, 2003	7.20	.09	2.69	2.78	(.22)	—	—
December 31, 2002	8.64	.06	(1.37)	(1.31)	(.13)	—	—
December 31, 2001	11.15	.06	(2.52)	(2.46)	(.04)	—	(.01)
December 31, 2000	14.19	.10	(2.11)	(2.01)	—	(1.00)	(.03)
Real Estate Securities Fund							
December 31, 2004	13.71	.36	4.33	4.69	(.36)	(.95)	—
December 31, 2003	10.51	.55	3.28	3.83	(.61)	—	(.02)
December 31, 2002	10.75	.54	(.13)	.41	(.57)	(.08)	—
December 31, 2001	10.67	.57	.24	.81	(.55)	(.18)	—
December 31, 2000	8.81	.54	1.81	2.35	(.49)	—	—
Core Bond Fund							
December 31, 2004	10.47	.24	.24	.48	(.26)	(.19)	—
December 31, 2003	10.43	.31	.31	.62	(.38)	(.20)	—
December 31, 2002	10.13	.36	.52	.88	(.30)	(.28)	—
December 31, 2001	10.07	.54	.18	.72	(.60)	(.06)	—
December 31, 2000	9.64	.61	.33	.94	(.51)	—	—

(a) Average month-end shares outstanding were used for this calculation.

(b) Less than \$.01 per share.

(c) May reflect amounts waived and/or reimbursed by the investment advisor and for certain funds, custody credit arrangements. The custody credit arrangements had an impact of less than .005%.

See accompanying notes which are an integral part of the financial statements.

\$ Total Distributions	\$ Net Asset Value, End of Period	% Total Return	\$ Net Assets End of Period (000)	% Ratio of Expenses to Average Net Assets Net(c)	% Ratio of Expenses to Average Net Assets Gross	% Ratio of Net Investment Income to Average Net Assets(c)	% Portfolio Turnover Rate
(.09)	12.60	9.81	332,759	.87	.88	.96	123.29
(.07)	11.56	28.86	296,767	.87	.95	.82	107.67
(.06)	9.04	(23.19)	206,794	.92	.99	.61	145.90
(.30)	11.84	(14.21)	251,730	.92	.99	.57	131.67
(.64)	14.13	(12.26)	262,664	.92	.93	.51	161.09
(.54)	14.90	14.73	195,583	1.05	1.17	.17	150.26
(.01)	13.47	45.60	166,385	1.06	1.26	.10	138.95
—	9.26	(19.06)	97,794	1.25	1.36	(.17)	139.24
(.01)	11.44	(2.36)	111,693	1.25	1.38	.01	180.38
(1.51)	11.73	(.66)	106,665	1.25	1.28	.27	203.48
(.20)	11.33	18.30	258,766	1.15	1.28	1.11	73.45
(.22)	9.76	38.78	206,619	1.16	1.41	1.14	50.29
(.13)	7.20	(15.15)	137,840	1.30	1.48	.77	60.98
(.05)	8.64	(22.03)	154,494	1.30	1.43	.64	79.79
(1.03)	11.15	(14.43)	185,644	1.30	1.37	.78	86.06
(1.31)	17.09	34.88	379,733	.92	.92	2.43	47.21
(.63)	13.71	37.21	254,691	.95	.95	4.66	38.84
(.65)	10.51	3.80	160,176	.99	.99	5.01	55.43
(.73)	10.75	7.84	111,982	1.06	1.06	5.35	55.13
(.49)	10.67	27.24	88,713	1.08	1.08	5.58	45.79
(.45)	10.50	4.66	175,851	.70	.73	2.41	216.23
(.58)	10.47	6.15	147,202	.71	.78	2.86	232.64
(.58)	10.43	8.84	140,280	.80	.80	3.52	207.60
(.66)	10.13	7.41	109,971	.80	.88	5.25	205.62
(.51)	10.07	10.00	88,514	.80	.84	6.20	171.48

See accompanying notes which are an integral part of the financial statements.

Russell Investment Funds

Notes to Financial Statements — December 31, 2004

1. Organization

Russell Investment Funds (the "Investment Company") is a series mutual fund with five investment portfolios, referred to as "Funds." These financial statements report on the Funds, each of which has distinct investment objectives and strategies. These Funds are offered at net asset value to qualified insurance company separate accounts offering variable insurance products. The Investment Company is registered under the Investment Company Act of 1940, as amended, as a diversified, open-end management investment company. It is organized and operates as a Massachusetts business trust under a master trust agreement dated July 11, 1996. The Investment Company's master trust agreement permits the Board of Trustees to issue an unlimited number of full and fractional shares of beneficial interest at a \$.01 par value.

2. Significant Accounting Policies

The following is a summary of the significant accounting policies consistently followed by the Fund in the preparation of these financial statements. These policies are in conformity with generally accepted accounting principles ("GAAP") for investment companies. The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Security valuation

United States equity securities listed and traded principally on any national securities exchange are valued on the basis of the last sale price or, if there were no sales on that day, at the last reported price, on the primary exchange on which the security is traded. Equity securities traded on Nasdaq or in a U.S. OTC market will be valued at the official closing price (NOCP) as of the close of the market's regular trading hours.

Fixed-income securities listed and traded principally on any national securities exchange are valued at the evaluated bid price or, if there were no sales on that day, at the last reported bid price, on the primary exchange on which the security is traded. Over-the-counter fixed-income securities and options are valued on the basis of the last sale price. Many fixed-income securities do not trade each day, and thus last sale or bid prices are frequently not available. Accordingly, fixed-income securities may be valued using prices provided by a pricing service approved by the Board of Trustees when such prices are believed to reflect the market value of such securities.

Futures contracts are valued on the basis of the last sales price. Exchange listed futures contracts are valued on a basis of the last quoted daily settlement prices established by the exchange on which they trade. If there were no sales, futures are valued at the last reported bid price.

Investments in other mutual funds are valued at their net asset value per share, calculated at 4:00pm Eastern time or as of the close of the NYSE, whichever is earlier.

The value of swap agreements are equal to the Funds' obligation (or rights) under swap contracts which will generally be equal to the net amounts to be paid or received under the contracts based upon the relative values of the positions held by each party to the contracts.

International equity securities traded on a foreign national securities exchange or an over-the-counter market (foreign or domestic) are valued on the basis of the official closing price, or, lacking the official closing price, at the last sale price on the primary exchange on which the security is traded.

Short-term investments purchased by the Funds and maturing within 60 days at the time of purchase are valued at "amortized cost" unless the Board of Trustees determines that amortized cost does not represent fair value.

If market quotations are not readily available for a security or if subsequent events suggest that a market quotation is not reliable, the Funds will use the security's fair value, as determined in accordance with Fair Value Procedures. The effect of fair value pricing is that securities may not be priced on the basis of quotations from the primary market in which they are traded, but rather may be priced by another method that the Funds' Board of Trustees believes reflects fair value. This policy is intended to assure that the Funds' net asset value fairly reflects security values as of the time of pricing. Events or circumstances affecting the values of fund securities that occur between the closing of the principal markets on which they trade and the time the net asset value of fund shares is determined may be reflected in the calculation of net asset values for each applicable fund when a particular event or circumstance would materially affect such fund's net asset value.

Russell Investment Funds

Notes to Financial Statements, continued — December 31, 2004

Because foreign securities can trade on non-business days, the net asset value of a fund's portfolio that includes foreign securities may change on days when shareholders will not be able to purchase or redeem fund shares.

Investment transactions

Securities transactions are recorded on a trade date basis. Realized gains and losses from securities transactions are recorded on the basis of specific identified cost incurred by each money manager within a particular Fund.

Investment income

Dividend income is recorded net of applicable withholding taxes on the ex-dividend date, except that certain dividends from foreign securities are recorded as soon as the Funds are informed of the ex-dividend date. Interest income is recorded on the accrual basis. The Core Bond Fund classifies gains and losses realized on prepayments received on mortgage-backed securities as part of interest income. All premiums and discounts, including original issue discounts, are amortized/accreted using the interest method.

Federal income taxes

Since the Investment Company is a Massachusetts business trust, each Fund is a separate corporate taxpayer and determines its net investment income and capital gains (or losses) and the amounts to be distributed to each Fund's shareholders without regard to the income and capital gains (or losses) of the other Funds.

It is each Fund's intention to qualify as a regulated investment company and distribute all of its taxable income and capital gains. Therefore, no federal income tax provision was required for the Funds.

Dividends and distributions to shareholders

For all Funds, income dividends and capital gain distributions, if any, are recorded on the ex-dividend date. Dividends are generally declared and paid quarterly, except for the Non-U.S. Fund, which generally declares and pays dividends annually. Capital gain distributions are generally declared and paid annually. An additional distribution may be paid by the Funds to avoid imposition of federal income and excise tax on any remaining undistributed capital gains and net investment income.

The timing and characterization of certain income and capital gain distributions are determined in accordance with federal tax regulations which may differ from GAAP. As a result, net investment income and net realized gain (or loss) on investment and foreign currency-related transactions for a reporting period may differ significantly from distributions during such period. The differences between tax regulations and GAAP primarily relate to investments in options, futures, forward contracts, swap contracts, passive foreign investment companies, foreign-denominated investments, mortgage-backed securities, certain securities sold at a loss and capital loss carryforwards.

Expenses

The Funds will pay their own expenses other than those expressly assumed by Frank Russell Investment Management Company ("FRIMCo" or "Advisor"). Most expenses can be directly attributed to the individual Funds. Expenses which cannot be directly attributed to a specific Fund are allocated among all Funds principally based on their relative net assets.

Foreign currency translations

The books and records of the Funds are maintained in US dollars. Foreign currency amounts and transactions of the Funds are translated into US dollars on the following basis:

- (a) Market value of investment securities, other assets and liabilities at the closing rate of exchange on the valuation date.
- (b) Purchases and sales of investment securities and income at the closing rate of exchange prevailing on the respective trade dates of such transactions.

Reported net realized gains or losses from foreign currency-related transactions arise from: sales and maturities of short-term securities; sales of foreign currencies; currency gains or losses realized between the trade and settlement dates on securities transactions; the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Non-U.S. Fund's books and the US dollar equivalent of the amounts actually received or paid. Net unrealized gains or losses from foreign

Russell Investment Funds

Notes to Financial Statements, continued — December 31, 2004

currency-related transactions arise from changes in the value of assets and liabilities, other than investments in securities, at year end, as a result of changes in the exchange rates.

The Funds do not isolate that portion of the results of operations of the Fund that arises as a result of changes in exchange rates from that portion that arises from changes in market prices of investments during the year. Such fluctuations are included with the net realized and unrealized gain or loss from investments. However, for federal income tax purposes the Funds do isolate the effects of changes in foreign exchange rates from the fluctuations arising from changes in market prices for realized gain (or loss) on debt obligations.

Derivatives

To the extent permitted by the investment objectives, restrictions and policies set forth in the Funds' Prospectus and Statement of Additional Information, the Funds may participate in various derivative-based transactions. Derivative securities are instruments or agreements whose value is derived from an underlying security or index. They include options, futures, swaps, forwards, structured notes and stripped securities. These instruments offer unique characteristics and risks that assist the Funds in meeting their investment strategies.

The Funds typically use derivatives in three ways: cash equitization/monetization, hedging, and return enhancement. Cash equitization/monetization is a technique that may be used by certain Funds through the use of options and futures to earn "market-like" returns with their excess and liquidity reserve cash balances. Hedging is used by some Funds to limit or control risks, such as adverse movements in exchange rates and interest rates. Return enhancement can be accomplished through the use of derivatives in a Fund. By purchasing certain instruments, Funds may more effectively achieve the desired portfolio characteristics that assist them in meeting their investment objectives. Depending on how the derivatives are structured and utilized, the risks associated with them may vary widely. These risks are generally categorized as market risk, liquidity risk and counterparty or credit risk.

Foreign currency exchange contracts

In connection with portfolio purchases and sales of securities denominated in a foreign currency, the Non-U.S. and Core Bond Funds may enter into foreign currency exchange spot contracts and forward foreign currency exchange contracts ("contracts"). Contracts are recorded at market value. Certain risks may arise upon entering into these contracts from the potential inability of counterparties to meet the terms of their contracts and are generally limited to the amount of unrealized gain on the contracts, if any, that is recognized in the Statement of Assets and Liabilities. Realized gains or losses arising from such transactions are included in net realized gain (or loss) from foreign currency-related transactions. Open contracts at December 31, 2004 are presented on the Schedule of Investments for the Non-U.S. and Core Bond Funds.

Forward commitments

The Funds may contract to purchase securities for a fixed price at a future date beyond customary settlement time (not to exceed 120 days) consistent with a Fund's ability to manage its investment portfolio and meet redemption requests. The price of the underlying securities and the date when the securities will be delivered and paid for are fixed at the time the transaction is negotiated. The Funds may dispose of a forward commitment transaction prior to settlement if it is appropriate to do so and realize short-term gains (or losses) upon such sale. When effecting such transactions, cash or liquid high-grade debt obligations of the Fund in a dollar amount sufficient to make payment for the portfolio securities to be purchased will be segregated on the Fund's records at the trade date and maintained until the transaction is settled. A forward commitment transaction involves a risk of loss if the value of the security to be purchased declines prior to the settlement date or the other party to the transaction fails to complete the transaction.

Options

The Funds may purchase and sell (write) call and put options on securities and securities indices, provided such options are traded on a national securities exchange or in an over-the-counter market. The Funds may also purchase and sell call and put options on foreign currencies. The domestic equity Funds may utilize options to equitize liquidity reserve balances.

The Funds will not enter into any such transactions unless it owns (1) an offsetting ("covered") position in securities, currencies or other options, futures contracts or forward contracts or (2) cash or liquid assets with a value, marked to market daily, sufficient to cover their obligations to the extent not covered as provided in (1) above. The Funds will comply with SEC

Russell Investment Funds

Notes to Financial Statements, continued — December 31, 2004

guidelines regarding cover for these instruments and will, if the guidelines so require, designate the prescribed amount of cash or liquid assets as segregated.

When a Fund writes a covered call or a put option, an amount equal to the premium received by the Fund is included in the Fund's Statement of Assets and Liabilities as an asset and as an equivalent liability. The amount of the liability is subsequently marked-to-market to reflect the current market value of the option written. The Fund receives a premium on the sale of a call option but gives up the opportunity to profit from any increase in stock value above the exercise price of the option, and when the Fund writes a put option it is exposed to a decline in the price of the underlying security.

Whether an option which the Fund has written either expires on its stipulated expiration date or the Fund enters into a closing purchase transaction, the Fund realizes a gain (or loss, if the cost of a closing purchase transaction exceeds the premium received when the option was sold) without regard to any unrealized gain or loss on the underlying security, and the liability related to such option is extinguished. If a call option which the Fund has written is exercised, the Fund realizes a capital gain or loss from the sale of the underlying security, and the proceeds from such sale are increased by the premium originally received. When a put option which a Fund has written is exercised, the amount of the premium originally received will reduce the cost of the security which a Fund purchases upon exercise of the option. Realized gains (losses) on purchased options are included in net realized gain (loss) from investments.

The Funds' use of written options involves, to varying degrees, elements of market risk in excess of the amount recognized in the Statement of Assets and Liabilities. The face or contract amounts of these instruments reflect the extent of the Funds' exposure to market risk. The risks may be caused by an imperfect correlation between movements in the price of the instrument and the price of the underlying securities and interest rates.

Future contracts

The Funds utilize futures contracts to equitize uninvested cash balances. The face or contract amounts of these instruments reflect the extent of the Funds' exposure to off balance sheet risk. The primary risks associated with the use of futures contracts are an imperfect correlation between the change in market value of the securities held by the Fund and the prices of futures contracts and the possibility of an illiquid market. Upon entering into a futures contract, the Funds are required to deposit with a broker an amount, termed the initial margin, which typically represents 5% of the purchase price indicated in the futures contract. Payments to and from the broker, known as variation margin, are required to be made on a daily basis as the price of the futures contract fluctuates. Changes in initial settlement value are accounted for as unrealized appreciation (depreciation) until the contracts are terminated, at which time realized gains and losses are recognized.

Swap agreements

The Funds may enter into swap agreements as an additional equitization vehicle for uninvested cash balances held by the Funds or to effect investment transactions consistent with the Funds' investment objectives and strategies. Swap agreements are two party contracts entered into primarily by institutional investors for periods ranging from a few weeks to more than one year. In a standard swap transaction, the two parties agree to exchange the returns (or differentials in rates of return) earned or realized on particular investments or instruments. The returns to be exchanged between the parties are calculated with respect to a "notional amount" (i.e. a specified dollar amount that is hypothetically invested in a "basket" of securities representing a particular index). Amounts paid to and received from the swap counterparties representing capital appreciation and depreciation on the underlying securities and accrued interest expense and interest income are recorded as net realized gain (loss). The Fund is exposed to credit risk in the event of non-performance by the swap counterparties; however, the Fund does not anticipate non-performance by the counterparties.

Investment in international markets

Investing in international markets may involve special risks and considerations not typically associated with investing in the United States markets. These risks include revaluation of currencies, high rates of inflation, repatriation, restrictions on income and capital, and future adverse political and economic developments. Moreover, securities issued in these markets may be less liquid, subject to government ownership controls, delayed settlements, and their prices more volatile than those of comparable securities in the United States.

Russell Investment Funds

Notes to Financial Statements, continued — December 31, 2004

Guarantees

In the normal course of business the Funds enter into contracts that contain a variety of representations which provide general indemnifications. The Funds' maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Funds that have not yet occurred. However, the Funds expect the risk of loss to be remote.

3. Investment Transactions

Securities

For the period ended December 31, 2004, purchases and sales of investment securities (excluding US Government and Agency obligations, short-term investments, options, futures and repurchase agreements) were as follows:

Funds	Purchases	Sales
Multi-Style Equity	\$ 375,875,295	\$ 357,961,743
Aggressive Equity	257,990,260	251,151,885
Non-U.S.	170,334,825	150,332,945
Real Estate Securities	174,949,773	139,062,847
Core Bond	103,607,858	85,976,250

Purchases and sales of US Government and Agency obligations (excluding short-term investments, options, futures and repurchase agreements) were as follows:

Fund	Purchases	Sales
Core Bond	\$ 152,258,590	\$ 142,653,504

Written Options Contracts

Fund transactions in written options for the period ended December 31, 2004 were as follows:

	Non-U.S.		Core Bond	
	Number of Contracts	Premiums Received	Number of Contracts	Premiums Received
Outstanding December 31, 2003	101	\$ 846,267	47	\$ 88,977
Opened	1,547	17,952,119	425	215,076
Closed	(1,543)	(17,910,215)	(39)	(31,348)
Expired	—	—	(311)	(230,020)
Outstanding December 31, 2004	<u>105</u>	<u>\$ 888,171</u>	<u>122</u>	<u>\$ 42,685</u>

Securities Lending

The Investment Company has a securities lending program whereby each Fund can loan securities with a value up to 33 $\frac{1}{3}$ % of its total assets to certain brokers. The Fund receives cash (US currency), US Government or US Government agency obligations as collateral against the loaned securities. To the extent that a loan is collateralized by cash, such collateral shall be invested by the securities lending agent, State Street Bank and Trust Company ("State Street"), in money market mutual funds and such other short-term investments; provided the investments meet certain quality and diversification requirements. The collateral received is recorded on the Fund's statement of assets and liabilities along with the related obligation to return the collateral.

Income generated from the investment of cash collateral, less negotiated rebate fees paid to participating brokers and transaction costs, is divided between the Fund and State Street and is recorded as income for the Fund. To the extent that a loan is secured by non-cash collateral, brokers pay the Fund negotiated lenders' fees, which are divided between the Fund and State Street and are recorded as securities lending income for the Fund. All collateral received will be in an amount at least equal to 102% (for loans of US securities) or 105% (for non-US securities) of the market value of the loaned securities at the inception of each loan. The market value of the loaned securities is determined at the close of business of the Funds and any additional required collateral is delivered to the Fund the next day. Should the borrower of the securities fail financially, there is a risk of delay in recovery of the securities or loss of rights in the collateral. Consequently, loans are made only to borrowers which are

Russell Investment Funds

Notes to Financial Statements, continued — December 31, 2004

deemed to be of good financial standing. As of December 31, 2004, the value of outstanding securities on loan and the value of collateral amounted to as follows:

Funds	Value of Securities on Loan	Value of Cash Collateral
Multi-Style Equity	\$ 869,103	\$ 889,250
Aggressive Equity	21,386,600	22,022,331
Non-U.S.	19,629,669	20,647,080
Real Estate Securities	2,935	2,925

As of December 31, 2004, there was no non-cash collateral received for the securities on loan.

4. Related Party Transactions, Fees and Expenses

Manager

FRIMCo advises and administers all of the Funds which comprise the Investment Company. FRIMCo is a wholly-owned subsidiary of Frank Russell Company, a wholly-owned subsidiary of The Northwestern Mutual Life Insurance Company. Frank Russell Company researches and recommends to FRIMCo, and to the Investment Company, one or more investment management organizations to manage the portfolio of each Fund.

The Funds are permitted to invest their cash reserves (i.e., monies awaiting investment in portfolio securities suitable for the Funds' objectives), and a portion of the collateral received from the Investment Company's securities lending program in the Frank Russell Investment Company Money Market Fund. As of December 31, 2004, \$80,681,000 of the Money Market Fund's net assets represents investments by the Funds.

For the period ended December 31, 2004, the management fee paid to FRIMCo, for the Funds listed below, in accordance with the Investment Company's Management Agreement with that firm, amounted to \$9,768,338 before waivers and/or reimbursements. Such fee is payable monthly and is equal to the annual rate, by Fund, shown in the following table, of the average daily net assets of the applicable Fund.

Funds	Annual Rate
Multi-Style Equity	0.78%
Aggressive Equity	0.95
Non-U.S.	0.95
Real Estate Securities	0.85
Core Bond	0.60

FRIMCo has contractually agreed to waive a portion of its management fee for each Fund, up to the full amount of its fee, to the extent the Fund's operating expenses exceed specified limits imposed by FRIMCo on an annual basis. Additionally, FRIMCo has contractually agreed to reimburse each Fund for all remaining expenses, after fee waivers, that still exceed their respective expense caps. There were no reimbursements for the period ended December 31, 2004.

FRIMCo does not have the ability to recover amounts waived or reimbursed from previous periods.

The expense caps and waivers were as follows:

Funds	Expense Cap	Manager Fees Waived
Multi-Style Equity	0.87%	\$ 42,289
Aggressive Equity	1.05	215,126
Non-U.S.	1.15	287,356
Real Estate Securities	1.10	—
Core Bond	0.70	52,142

Russell Investment Funds

Notes to Financial Statements, continued — December 31, 2004

Custodian

The Funds have entered into arrangements with their Custodian whereby custody credits realized as a result of uninvested cash balances were used to reduce a portion of the Funds' expenses. For the period ended December 31, 2004, the Funds' custodian fees were reduced by the following amounts under these arrangements:

Funds	Custody Credit Amount
Multi-Style Equity	\$ 400
Aggressive Equity	443
Non-U.S.	513
Real Estate Securities	541
Core Bond	2,685

FRIMCo waived a portion of its advisory fee for the following Funds to provide the benefit of brokerage commission rebates from a non-affiliated broker to these Funds in the following amounts:

Funds	Amount Paid
Multi-Style Equity	\$ 623
Aggressive Equity	859
Real Estate Securities	2,438

Analytic services

Fees for analytic services provided to the Funds are paid or accrued to Russell/Mellon Analytical Services, an affiliate of FRIMCo. Russell/Mellon Analytical Services provided TruVP System to the Funds. The TruVP System provides investment analytics. Effective June 1, 2004, the Funds discontinued paying Russell/Mellon Analytical Services for use of the TruVP System and FRIMCo has agreed to pay these fees going forward. Total fees for the Funds reported herein for the period ended December 31, 2004 were \$37,718.

Distributor

Russell Fund Distributors, Inc. (the "Distributor"), a wholly-owned subsidiary of FRIMCo, is the principal Distributor for Investment Company shares. The Distributor receives no compensation from the Investment Company for its services.

Brokerage commissions

The Funds may effect portfolio transactions through Frank Russell Securities, Inc., an affiliate of the Manager, when a money manager determines that the Fund will receive competitive execution, price and commissions. Amounts retained by Frank Russell Securities, Inc. for the period ended December 31, 2004 were as follows:

Funds	Amount
Multi-Style Equity	\$ 14,302
Aggressive Equity	6,927
Non-U.S.	17,451
Real Estate Securities	3,595

Additionally, the Funds paid brokerage commissions to non-affiliated brokers who provided brokerage and research services to the Manager.

Accrued fees payable to affiliates as of December 31, 2004 were as follows:

	Multi-Style Equity	Aggressive Equity	Non-U.S.	Real Estate Securities	Core Bond
Management fees	\$ 221,307	\$ 154,695	\$ 205,063	\$ 274,348	\$ 88,251
Transfer agent fees	1,612	583	1,084	1,963	678
	\$ 222,919	\$ 155,278	\$ 206,147	\$ 276,311	\$ 88,929

Russell Investment Funds

Notes to Financial Statements, continued — December 31, 2004

Board of Trustees

The Russell Fund Complex consists of Frank Russell Investment Company (“FRIC”), which has 34 funds, and Russell Investment Funds (“RIF”), which has five funds. Each of the trustees is a trustee of both FRIC and RIF. The Russell Fund Complex pays each of its Trustees not affiliated with FRIMCo a retainer of \$52,000 per year, \$5,000 for each regular quarterly meeting attended in person, \$2,000 for each special meeting attended in person, and \$2,000 for each Joint Audit Committee meeting or Nominating and Governance Committee or any other committee meeting established and approved by the Board that is attended in person. Each Trustee will receive a \$500 fee for attending the meetings (quarterly, special, committee) by phone instead of receiving the full fee had the member attended in person. Out of pocket expenses are also paid by the Russell Fund Complex. The Lead Trustee is paid a fee of \$10,000 per year. The Audit Committee chair is paid a fee of \$12,000 per year and the Nominating and Governance Committee chair is paid a fee of \$6,000 per year.

5. Federal Income Taxes

At December 31, 2004, the following Funds had net tax basis capital loss carryforwards which may be applied against any net realized taxable gains in each succeeding year or until their respective expiration dates, whichever occurs first. Available capital loss carryforwards and expiration dates are as follows:

Capital loss carryforward

	12/31/09	12/31/10	12/31/11	Totals
Multi-Style Equity	\$ 32,384,952	\$ 42,288,325	\$ 3,302,725	\$ 77,976,002
Non-U.S.	12,093,749	25,579,757	5,528,524	43,202,030

At December 31, 2004, the cost of investments, net unrealized appreciation (depreciation), undistributed ordinary income and undistributed long-term capital gains for income tax purposes were as follows:

	Multi-Style Equity	Aggressive Equity	Non-U.S.	Real Estate Securities	Core Bond
Cost of Investments	<u>\$ 291,827,512</u>	<u>\$ 185,511,622</u>	<u>\$ 229,052,059</u>	<u>\$ 267,557,473</u>	<u>\$ 208,857,846</u>
Unrealized Appreciation	44,516,644	34,009,828	51,114,258	118,624,275	3,550,284
Unrealized Depreciation	<u>(3,006,257)</u>	<u>(1,699,635)</u>	<u>(1,875,083)</u>	<u>(82,391)</u>	<u>(676,823)</u>
Net Unrealized Appreciation (Depreciation)	<u>\$ 41,510,387</u>	<u>\$ 32,310,193</u>	<u>\$ 49,239,175</u>	<u>\$ 118,541,884</u>	<u>\$ 2,873,461</u>
Undistributed Ordinary Income	\$ 1,321,016	\$ —	\$ 2,235,713	\$ 1,663,422	\$ 1,358,318
Undistributed Long-Term Gains (Capital Loss Carryforward)	(77,976,002)	5,956,305	(43,202,030)	4,869,229	667,820
Tax Composition of Distributions					
Ordinary Income	\$ 2,310,844	\$ 292,847	\$ 4,649,250	\$ 8,052,521	\$ 5,842,093
Long Term Capital Gains	\$ —	\$ 6,583,523	\$ —	\$ 19,794,147	\$ 1,174,404

As permitted by tax regulations, the Core Bond Fund intends to defer a net realized capital loss of \$39,714 incurred from November 1, 2004 to December 31, 2004.

Russell Investment Funds

Notes to Financial Statements, continued — December 31, 2004

6. Fund Share Transactions (amounts in thousands)

Share transactions for the period ended December 31, 2004 were as follows:

	Shares		Dollars	
	2004	2003	2004	2003
Multi-Style Equity				
Proceeds from shares sold	4,020	3,987	\$ 46,942	\$ 40,534
Proceeds from reinvestment of distributions	196	181	2,311	1,744
Payments for shares redeemed	(3,484)	(1,381)	(41,234)	(13,665)
Total net increase (decrease)	732	2,787	\$ 8,019	\$ 28,613
Aggressive Equity				
Proceeds from shares sold	2,208	3,825	\$ 30,538	\$ 43,296
Proceeds from reinvestment of distributions	474	11	6,876	138
Payments for shares redeemed	(1,906)	(2,043)	(26,285)	(22,380)
Total net increase (decrease)	776	1,793	\$ 11,129	\$ 21,054
Non-U.S.				
Proceeds from shares sold	3,827	2,604	\$ 38,755	\$ 21,233
Proceeds from reinvestment of distributions	432	489	4,649	4,572
Payments for shares redeemed	(2,607)	(1,048)	(26,895)	(8,195)
Total net increase (decrease)	1,652	2,045	\$ 16,509	\$ 17,610
Real Estate Securities				
Proceeds from shares sold	4,847	3,284	\$ 73,559	\$ 39,761
Proceeds from reinvestment of distributions	1,702	856	27,847	10,614
Payments for shares redeemed	(2,912)	(806)	(44,325)	(9,110)
Total net increase (decrease)	3,637	3,334	\$ 57,081	\$ 41,265
Core Bond				
Proceeds from shares sold	3,478	2,229	\$ 36,630	\$ 23,733
Proceeds from reinvestment of distributions	668	760	7,016	8,011
Payments for shares redeemed	(1,455)	(2,383)	(15,314)	(25,459)
Total net increase (decrease)	2,691	606	\$ 28,332	\$ 6,285

7. Beneficial Interest

As of December 31, 2004, the following table includes shareholders with shares of beneficial interest greater than 10% of the total outstanding shares of each respective Fund. Northwestern Mutual Life Insurance Company was the largest client in each Fund.

Funds	# of Shareholders	%
Multi-Style Equity	3	85.8
Aggressive Equity	3	84.0
Non-U.S.	3	87.8
Real Estate Securities	3	88.5
Core Bond	3	91.9

Russell Investment Funds

Notes to Financial Statements, continued — December 31, 2004

8. Illiquid or Restricted Securities

A Fund may invest a portion of its net assets not to exceed 15% in securities that are illiquid. Illiquid securities are securities that may not be readily marketable, and that cannot be sold within seven days in the ordinary course of business at the approximate amount at which the Fund has valued the securities. Illiquid and restricted securities may be priced by the Funds using fair value procedures approved by the Board of Trustees. Restricted securities are subject to contractual limitations on resale, are often issued in private placement transactions, and are not registered under the Securities Act of 1933 (the "Act"). The most common types of restricted securities are those sold under Rule 144A of the Act and commercial paper sold under Section 4(2) of the Act. Such restricted securities are not subject to the 15% limitation if the Adviser, under supervision of the Board of Trustees, determines that a liquid trading market exists. Information concerning illiquid and restricted securities held by the Funds is as follows:

Pursuant to guidelines established by the Board of Trustees, the Adviser has determined that a liquid trading market exists for the following restricted securities held as of December 31, 2004:

Restricted Securities (144A)

Fund - % of Net Assets Securities	Acquisition Date	Principal Amount (\$) or Shares	Cost per Unit \$	Cost (000) \$	Market Value (000) \$
Aggressive Equity Fund - 0.3%					
Diamondrock Hospitality Co.	06/26/04	20,800	10.00	208	212
Fieldstone Investment Corp.	06/07/04	13,100	15.80	207	226
Provident Senior Living Trust	07/26/04	15,300	15.00	230	245
					683
Non-U.S. Fund - 0.3%					
First Financial Holding Co., Ltd.	10/07/04	39,085	16.74	654	671
Core Bond Fund - 3.6%					
BAE Systems Holdings, Inc.	11/28/04	350,000	100.09	350	392
Centaur Funding Corp.	03/07/02	165,000	1.07	177	217
Citigroup, Inc.	11/27/01	230,000	89.17	205	231
Clorox Co.	11/30/04	70,000	99.69	70	71
Clorox Co.	11/30/04	100,000	100.01	100	101
DG Funding Trust	11/03/04	49	10,537.12	516	525
Dresdner Funding Trust I	04/09/03	185,000	103.17	191	229
Export-Import Bank Of Korea	02/03/04	120,000	99.58	119	120
Glencore Funding LLC	05/12/04	60,000	91.33	55	58
GT Group Telecom, Inc.	01/27/00	175	48.28	8	—
HVB Funding Trust I	05/01/03	150,000	96.71	145	193
Korea Electric Power Corp.	04/20/04	60,000	98.45	59	60
May Department Stores Co. (The)	07/13/04	90,000	99.87	90	92
Miller Brewing Co.	08/06/03	140,000	99.97	140	146
Mizuho Financial Group Cayman, Ltd.	02/27/04	150,000	100.73	151	158
Mizuho Preferred Capital Co. LLC	08/20/99	315,000	90.81	286	357
Monumental Global Funding II	02/04/03	155,000	100.00	155	155
Morgan Stanley Bank AG for OAO Gazprom	02/21/03	100,000	109.99	110	118
Natexis Ambs Co. LLC	06/24/98	120,000	105.46	127	135
Parker Hannifin Employee Stock Ownership Trust	03/09/99	217,328	100.00	217	227
Qwest Services Corp.	03/25/04	40,000	115.58	46	48
Russia Government International Bond	12/03/01	495,000	90.72	449	510
Russia Government International Bond	10/27/04	200,000	110.89	222	222
Russia Government International Bond	12/09/04	200,000	102.37	205	207
SACO I, Inc.	11/28/07	450,407	100.00	450	450
Systems 2001 AT LLC	03/08/02	141,490	101.96	144	154

Russell Investment Funds

Notes to Financial Statements, continued — December 31, 2004

Fund - % of Net Assets Securities	Acquisition Date	Principal Amount (\$) or Shares	Cost per Unit \$	Cost (000) \$	Market Value (000) \$
Telecom Italia Capital SA	09/28/04	95,000	99.08	94	93
Telecom Italia Capital SA	12/20/04	115,000	98.13	113	113
Tenaska Alabama II Partners, LP	10/09/03	111,051	100.00	111	116
Tengizchevroil Finance Co.	11/23/04	215,000	100.65	216	215
Texas Geneco LLC	12/08/04	40,000	100.00	40	41
TXU Corp.	11/22/04	240,000	99.94	240	240
TXU Corp.	11/24/04	110,000	98.98	109	109
TXU Corp.	12/20/04	35,000	99.78	35	35
Zurich Capital Trust I	01/10/03	245,000	93.94	230	275
					6,413

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders
of Russell Investment Funds:

In our opinion, the accompanying statements of assets and liabilities, including the schedules of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Multi-Style Equity Fund, Aggressive Equity Fund, Non-U.S. Fund, Core Bond Fund, and Real Estate Securities Fund (constituting the Russell Investment Funds, hereafter referred to as the "Funds") at December 31, 2004, the results of each of their operations for the year then ended, the changes in each of their net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Funds' management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2004 by correspondence with the custodian, brokers and transfer agent, provide a reasonable basis for our opinion.



Seattle, Washington
February 14, 2005

Russell Investment Funds

Tax Information — December 31, 2004 (Unaudited)

Pursuant to Section 852 of the Internal Revenue Code, the Funds designate the following amounts as long-term capital gain dividends for their taxable year ended December 31, 2004:

	<u>Total 20% Long-Term Capital Gains</u>	<u>Total 15% Long-Term Capital Gains</u>
Aggressive Equity	\$ —	\$ 6,583,523
Real Estate Securities	—	19,794,147
Core Bond	456	1,173,948

The Non-U.S. Fund paid foreign taxes of \$581,503 and recognized \$4,917,836 of foreign source income during the taxable year ended December 31, 2004. Pursuant to Section 853 of the Internal Revenue Code, the Fund designates \$0.0255 per share of foreign taxes paid and \$0.2154 of gross income earned from foreign sources in the taxable year ended December 31, 2004.

Russell Investment Funds

Shareholder Requests for Other Information

A description of the policies and procedures that the Fund has adopted to determine how to vote proxies relating to portfolio securities is available (i) without charge, upon request, by calling the Fund at (800) 787-7354 or (ii) on the Securities and Exchange Commission's website at www.sec.gov. Information on how the Funds voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available at www.russell.com and on the SEC's website at www.sec.gov.

The Funds will file their complete schedules of investments with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The Funds' Form N-Q is available (i) without charge, upon request, by calling the Fund at (800) 787-7354, (ii) on the Fund's website at www.russell.com, (iii) on the Securities and Exchange Commission's website at www.sec.gov, and (iv) the Securities and Exchange Commission's public reference room.

Russell Investment Funds

Disclosure of Information about Fund Directors — December 31, 2004 (Unaudited)

The following tables provide information for each officer and trustee of the Russell Fund Complex. The Russell Fund Complex consists of Frank Russell Investment Company ("FRIC"), which has 34 funds, and Russell Investment Funds ("RIF"), which has 5 funds. Each of the trustees is a trustee of both FRIC and RIF. The first table provides information for trustees who are interested trustees. The second table provides information for the independent trustees. The third table provides information for the officers.

Name, Age, Address	Position(s) Held with Fund and Length of Time Served	Term of Office	Principal Occupation(s) During the Past 5 Years	No. of Portfolios in Russell Fund Complex Overseen by Trustee	Other Directorships Held by Trustee
INTERESTED TRUSTEES AND INTERESTED TRUSTEE EMERITUS					
*George F. Russell, Jr., Born July 3, 1932 909 A Street Tacoma, Washington 98402-1616	Trustee Emeritus and Chairman Emeritus since 1999	Until resignation or removal	<ul style="list-style-type: none"> • Director Emeritus, FRC • Chairman Emeritus, FRIC and RIF • Chairman Emeritus, Frank Russell Securities, Inc. • Chairman Emeritus, Russell 20/20 Association • Chairman Emeritus, Frank Russell Trust Company • Director Emeritus FRIMCo • Chairman of Sunshine Management Services, LLC 	39	None
*Lynn L. Anderson, Born April 22, 1939 909 A Street Tacoma, Washington 98402-1616	Trustee since 1987 Chairman of the Board since 1999	Appointed until successor is duly elected and qualified Until successor is chosen and qualified by trustees	<ul style="list-style-type: none"> • Vice Chairman, FRC • Chairman of the Board, Trustee, FRIC and RIF • CEO and Chairman of the Board, Russell Fund Distributors, Inc. and FRIMCo • Trustee, President and Chairman of the Board, SsgA Funds (investment company) • Director, Chairman of the Board, Frank Russell Trust Company • Director, Frank Russell Investments (Ireland) Limited and Frank Russell Investments (Cayman) Ltd. • Until October, 2002, President and CEO, FRIC and RIF 	39	• Trustee, The SsgA Funds (investment company)
*Michael J.A. Phillips, Born January 20, 1948 909 A Street Tacoma, Washington 98402-1616	Trustee Since 2002	Appointed until successor is duly elected and qualified.	<ul style="list-style-type: none"> • 1990 – 2003, President, FRC • 1993 – 2003, CEO, FRC • Chairman of the Board and Director, FRC • Trustee, FRIC and RIF • Director, FRTC and Frank Russell Capital Inc. • Director/Chairman, Frank Russell Investments (Delaware), Inc. • Director, Chairman of The Board and President, Russell 20/20 Association • Director, Frank Russell Company Pty. Limited, Frank Russell Japan Co., Ltd., Frank Russell Investments (Suisse), S.A., and Frank Russell Company Limited 	39	None

* Each of Messrs. Russell, Anderson and Phillips is also an officer of an affiliate of FRIC and RIF and is therefore an interested trustee.

Russell Investment Funds

Disclosure of Information about Fund Directors, continued — December 31, 2004 (Unaudited)

Name, Age, Address	Position(s) Held with Fund and Length of Time Served	Term of Office	Principal Occupation(s) During the Past 5 Years	No. of Portfolios in Russell Fund Complex Overseen by Trustee	Other Directorships Held by Trustee
INDEPENDENT TRUSTEES AND INDEPENDENT TRUSTEE EMERITUS					
Paul E. Anderson, Born October 15, 1931 909 A Street Tacoma, Washington 98402-1616	Trustee since 1984	Appointed until successor is duly elected and qualified	◦ 1996 to present, President, Anderson Management Group LLC (private investments consulting)	39	None
Paul Anton, Ph.D., Born December 1, 1919 909 A Street Tacoma, Washington 98402-1616	Trustee Emeritus since 2003	Five year term	◦ Retired since 1997 ◦ Trustee of FRIC and RIF Until 2002	39	None
William E. Baxter, Born June 8, 1925 909 A Street Tacoma, Washington 98402-1616	Trustee Emeritus since 2004	Five year term	◦ Retired since 1986 ◦ Trustee of FRIC and RIF Until 2004	39	None
Kristianne Blake, Born January 22, 1954 909 A Street Tacoma, Washington 98402-1616	Trustee since 2000	Appointed until successor is duly elected and qualified	◦ President, Kristianne Gates Blake, P.S. (accounting services)	39	• Trustee WM Group of Funds (investment company); • Director, Avista Corp
Daniel P. Connealy Born June 6, 1946 909 A Street Tacoma, Washington 98402-1616	Trustee since 2003	Appointed until successor is duly elected and qualified	◦ 2004, Senior Vice President and Chief Financial Officer, Waddell & Reed Financial, Inc. ◦ 2001 – 2003, Vice President and Chief Financial Officer, Janus Capital Group Inc. ◦ 1979 – 2001, Audit and Accounting Partner, PricewaterhouseCoopers LLP	39	• Director, Gold Banc Corporation, Inc.
Jonathan Fine Born July 8, 1954 909 A Street Tacoma, Washington 98402-1616	Trustee since 2004	Appointed until successor is duly elected and qualified	◦ President and Chief Executive Officer, United Way of King County, WA ◦ 1996 – 2000, Chief Executive Officer, Seattle/King County Chapter of the American Red Cross	39	None

Russell Investment Funds

Disclosure of Information about Fund Directors, continued — December 31, 2004 (Unaudited)

Name, Age, Address	Position(s) Held with Fund and Length of Time Served	Term of Office	Principal Occupation(s) During the Past 5 Years	No. of Portfolios in Russell Fund Complex Overseen by Trustee	Other Directorships Held by Trustee
Lee C. Gingrich, Born October 6, 1930 909 A Street Tacoma, Washington 98402-1616	Trustee since 1984	Appointed until successor is duly elected and qualified	<ul style="list-style-type: none"> Retired since 1995 	39	None
Eleanor W. Palmer, Born May 5, 1926 909 A Street Tacoma, Washington 98402-1616	Trustee Emeritus since 2004	Five year term	<ul style="list-style-type: none"> Retired since 1981 Trustee of FRIC and RIF Until 2004 	39	None
Raymond P. Tennison, Jr. Born December 21, 1955 909 A Street Tacoma, Washington 98402-1616	Trustee since 2000	Appointed until successor is duly elected and qualified	<ul style="list-style-type: none"> Currently, President, Simpson Investment Company and several additional subsidiary companies, including Simpson Timber Company, Simpson Paper Company and Simpson Tacoma Kraft Company 	39	None
Julie W. Weston, Born October 2, 1943	Trustee since 2002	Appointed until successor is duly elected and qualified	<ul style="list-style-type: none"> Retired since 2000 1987 to 2000, Arbitrator, The American Arbitration Association Commercial Panel 1995 to 1999, Hearing Officer, University of Washington 1987 to 2002, Director, Smith Barney Fundamental Value Fund 	39	None

Russell Investment Funds

Disclosure of Information about Fund Directors, continued — December 31, 2004 (Unaudited)

Name, Age, Address	Position(s) Held with Fund and Length of Time Served	Term of Office	Principal Occupation(s) During the Past 5 Years
OFFICERS			
J. David Greenwald Born September 24, 1957 909 A Street Tacoma, Washington 98402-1616	Chief Compliance Officer since 2004	Until successor is chosen and qualified by Trustees	<ul style="list-style-type: none"> ◦ Chief Compliance Officer, FRIC ◦ Chief Compliance Officer, RIF ◦ Chief Compliance Officer, FRIMCo ◦ 2003-2004 Vice President and Head of Fund Compliance, ING Funds LLC ◦ 1996-2003 Director of Mutual Fund Compliance and Operations, American Skandia, Inc.
Gregory J. Stark, Born May 3, 1968 909 A Street Tacoma, Washington 98402-1616	President and Chief Executive Officer since 2004	Until successor is chosen and qualified by Trustees	<ul style="list-style-type: none"> ◦ President and CEO, FRIC and RIF ◦ Director, President and CEO, FRIMCo ◦ Director and President, Russell Fund Distributors, Inc. and Russell Insurance Agency, Inc. ◦ 1995 to present, Managing Director of International Operations of FRC ◦ Managing Director of Individual Investor Services, FRC ◦ 2000 to 2004, Managing Director, Sales and Client Service, FRIMCo ◦ 1998 to 2000, Representative Director, Frank Russell Investments (Japan), Ltd.
Mark E. Swanson, Born November 26, 1963 909 A Street Tacoma, Washington 98402-1616	Treasurer and Chief Accounting Officer since 1998	Until successor is chosen and qualified by Trustees	<ul style="list-style-type: none"> ◦ Treasurer and Chief Accounting Officer, FRIC and RIF 1998 to present ◦ Director, Funds Administration, FRIMCo and Frank Russell Trust Company ◦ Treasurer, SsgA Funds (investment company) ◦ Manager, Funds Accounting and Taxes, Russell Fund Distributors, Inc. ◦ April 1996 to August 1998, Assistant Treasurer, FRIC and RIF; ◦ November 1995 to July 1998, Assistant Secretary, SsgA Funds; ◦ February 1997 to July 1998, Manager, Funds Accounting and Taxes, FRIMCo
Thomas F. Hanly Born November 17, 1964 909 A Street Tacoma, Washington 98402-1616	Chief Investment Officer since 2003	Until removed by Trustees	<ul style="list-style-type: none"> ◦ Chief Investment Officer, FRC ◦ 1999 to 2003, Chief Financial Officer
Randall P. Lert, Born October 3, 1953 909 A Street Tacoma, Washington 98402-1616	Director of Investments since 1991	Until removed by Trustees	<ul style="list-style-type: none"> ◦ Director of Investments, FRIC and RIF ◦ Chief Portfolio Strategist, FRIMCo ◦ Chief Investment Officer, Frank Russell Trust Company ◦ Director, FRIMCo and Russell Fund Distributors, Inc.
Karl J. Ege, Born October 8, 1941 909 A Street Tacoma, Washington 98402-1616	Secretary and General Counsel since 1994	Until removed by Trustees	<ul style="list-style-type: none"> ◦ Secretary and General Counsel, FRIC, RIF, FRIMCo, Frank Russell Trust Company and Russell Fund Distributors, Inc. ◦ Director, Secretary and General Counsel, Frank Russell Capital Inc. ◦ Director and Secretary, Russell 20-20 Association
Mark D. Amberson, Born July 20, 1960 909 A Street Tacoma, Washington 98402-1616	Director of Short-Term Investment Funds since 2001	Until removed by Trustees	<ul style="list-style-type: none"> ◦ Director of Short-Term Investment Funds, FRIC, RIF, FRIMCo and Frank Russell Trust Company ◦ From 1991 to 2001, Portfolio Manager, FRIC, RIF, FRIMCo and Frank Russell Trust Company

Russell Investment Funds

Frank Russell Investment Company

909 A Street, Tacoma, Washington 98402

(800) 832-6688

In Washington (253) 627-7001

Trustees

Lynn L. Anderson, Chairman

Paul E. Anderson

Kristianne Blake

Daniel P. Connealy

Jonathan Fine

Lee C. Gingrich

Michael J.A. Phillips

Raymond P. Tension, Jr.

Julie W. Weston

Trustees Emeritus

George F. Russell, Jr.

Paul Anton, PhD

William E. Baxter

Eleanor W. Palmer

Officers

Lynn L. Anderson, Chairman of the Board

Greg J. Stark, President and Chief Executive Officer

J. David Greenwald, Chief Compliance Officer

Karl J. Ege, Secretary

Mark E. Swanson, Treasurer and Chief Accounting Officer

Tom F. Hanly, Chief Investment Officer

Randall P. Lert, Director of Investments

Mark D. Amberson, Director of Short Term Investment Funds

Manager, Transfer and Dividend Paying Agent

Frank Russell Investment Management Company

909 A Street

Tacoma, WA 98402

Consultant

Frank Russell Company

909 A Street

Tacoma, WA 98402

Custodian

State Street Bank and Trust Company

Allan Forbes Building

150 Newport Avenue AFB35

North Quincy, MA 02171

Office of Shareholder Inquiries

909 A Street

Tacoma, WA 98402

(800)787-7354

Legal Counsel

Stradley, Ronon, Stevens & Young, LLP

2600 One Commerce Square

Philadelphia, PA 19103-7098

Distributor

Russell Fund Distributors, Inc.

909 A Street

Tacoma, WA 98402

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP

1420 5th Avenue

Suite 1900

Seattle, WA 98101

Money Managers

Multi-Style Equity Fund

Alliance Capital Management L.P., which acts as money manager to the Fund through its Bernstein Investment

Research and Management Unit, New York, NY

Ark Asset Management Co., Inc., New York, NY

DePrince, Race & Zollo, Inc., Orlando, FL

Institutional Capital Corporation, Chicago, IL

Jacobs Levy Equity Management, Inc., Florham Park, NJ

Montag & Caldwell, Inc., Atlanta, GA

Turner Investment Partners, Inc., Berwyn, PA

Aggressive Equity Fund

CapitalWorks Investment Partners, LLC, San Diego, CA

David J. Greene and Company, LLC, New York, NY

Geewax, Terker & Company, Chadds Ford, PA

Goldman Sachs Asset Management, L.P., New York, NY

Gould Investment Partners LLC, Berwyn, PA

Jacobs Levy Equity Management, Inc., Florham Park, NJ

Nicholas-Applegate Capital Management LLC, San Diego, CA

TimesSquare Capital Management, Inc., New York, NY

Non-U.S. Fund

AQR Capital Management, LLC, New York, NY

Fidelity Management & Research Company, Boston, MA

Oechsle International Advisors, LLC, Boston, MA

The Boston Company Asset Management, LLC, Boston, MA

Russell Investment Funds

Frank Russell Investment Company

909 A Street, Tacoma, Washington 98402

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In Washington (253) 627-7001

Real Estate Securities Fund

AEW Management and Advisors, L.P., Boston, MA

INVESCO Institutional (N.A.), Inc., which acts as money
manager to the Fund through its INVESCO Real Estate
Division, Dallas, TX

RREEF America L.L.C., Chicago, IL

Core Bond Fund

Bear Stearns Asset Management Inc., New York, NY

Pacific Investment Management Company LLC,
Newport Beach, CA

This report is prepared from the books and records of the Funds and is submitted for the general information of shareholders and is not authorized for distribution to prospective investors unless accompanied or preceded by an effective Prospectus. Nothing herein contained is to be considered an offer of sale or a solicitation of an offer to buy shares of Russell Investment Funds. Such offering is made only by Prospectus, which includes details as to offering price and other material information.

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Russell Investment Funds

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Annual Report December 31, 2004
NML Variable Annuity Account C
Financial Statements

NML Variable Annuity Account C Financial Statements

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Account C Financial Statements

NML Variable Annuity Account C Statement of Assets and Liabilities December 31, 2004 (in thousands)

Assets

Investments at Market Value:

Northwestern Mutual Series Fund, Inc.	
Small Cap Growth Stock	
13,277 shares (cost \$24,077)	\$30,537
T. Rowe Price Small Cap Value	
802 shares (cost \$976)	1,267
Aggressive Growth Stock	
26,878 shares (cost \$84,999)	83,563
International Growth	
345 shares (cost \$403)	455
Franklin Templeton International Equity	
36,157 shares (cost \$46,502)	59,840
AllianceBernstein Mid Cap Value	
265 shares (cost \$339)	386
Index 400 Stock	
18,946 shares (cost \$22,159)	27,718
Janus Capital Appreciation	
295 shares (cost \$352)	422
Growth Stock	
12,881 shares (cost \$25,982)	25,556
Large Cap Core Stock	
15,726 shares (cost \$18,488)	17,959
Capital Guardian Domestic Equity	
1,465 shares (cost \$1,318)	1,676
T. Rowe Price Equity Income	
216 shares (cost \$274)	291
Index 500 Stock	
32,181 shares (cost \$85,260)	94,708

Northwestern Mutual Series Fund, Inc. (continued)	
Asset Allocation	
1,521 shares (cost \$1,431)	\$ 1,703
Balanced	
41,132 shares (cost \$74,813)	77,040
High Yield Bond	
8,806 shares (cost \$5,965)	6,683
Select Bond	
13,495 shares (cost \$16,684)	16,572
Money Market	
4,096 shares (cost \$4,096)	4,096
Fidelity Variable Insurance Products Fund III	
VIP Mid Cap	
14 shares (cost \$337)	408
Russell Investment Funds	
Multi-Style Equity	
144 shares (cost \$1,751)	1,812
Aggressive Equity	
66 shares (cost \$781)	981
Non-U.S.	
126 shares (cost \$1,169)	1,428
Core Bond	
133 shares (cost \$1,395)	1,395
Real Estate Securities	
1,676 shares (cost \$22,810)	<u>28,645</u>

Total Investments at Market Value \$485,141

Due from Northwestern Mutual Life Insurance Company:

Small Cap Growth Stock Division	\$ —
T. Rowe Price Small Cap Value Division	—
Aggressive Growth Stock Division	2
International Growth Division	—
Franklin Templeton International Equity Division	2
AllianceBernstein Mid Cap Value Division	—
Index 400 Stock Division	—
Janus Capital Appreciation Division	—
Growth Stock Division	2
Large Cap Core Stock Division	1
Capital Guardian Domestic Equity Division	—
T. Rowe Price Equity Income Division	—

Due from Northwestern Mutual Life Insurance Company (continued):

Index 500 Stock Division	\$ 1
Asset Allocation Division	1
Balanced Division	1
High Yield Bond Division	—
Select Bond Division	1
Money Market Division	—
Fidelity VIP Mid Cap Division	—
Russell Multi-Style Equity Division	—
Russell Aggressive Equity Division	—
Russell Non-U.S. Division	—
Russell Core Bond Division	—
Russell Real Estate Securities Division	<u>23</u>

Total Due From Northwestern Mutual Life Insurance Company 34

Total Assets \$485,175

The Accompanying Notes are an Integral Part of the Financial Statements.

Account C Financial Statements

NML Variable Annuity Account C

Statement of Assets and Liabilities, continued

December 31, 2004

(in thousands)

Liabilities

<u>Division</u>	<u>Due to Northwestern Mutual Life Insurance Company</u>
Small Cap Growth Stock	\$ —
T. Rowe Price Small Cap Value	—
Aggressive Growth Stock	6
International Growth	—
Franklin Templeton International Equity	1
AllianceBernstein Mid Cap Value	—
Index 400 Stock	1
Janus Capital Appreciation	—
Growth Stock	—
Large Cap Core Stock	—
Capital Guardian Domestic Equity	—
T. Rowe Price Equity Income	—
Index 500 Stock	4
Asset Allocation	—
Balanced	—
High Yield Bond	—
Select Bond	—
Money Market	—
Fidelity VIP Mid Cap	—
Russell Multi-Style Equity	1
Russell Aggressive Equity	—
Russell Non-U.S.	—
Russell Core Bond	—
Russell Real Estate Securities	1
	<u>\$ 14</u>
 Total Liabilities	 <u>\$ 14</u>

\$14

Equity

<u>Division</u>	<u>Group Variable Annuity Contract Issued:</u>	
	<u>Before December 17, 1981 or between April 30, 1984 and December 31, 1991</u>	<u>After December 16, 1981 and Prior to May 1, 1984</u>
Small Cap Growth Stock	\$ 28,975	\$ —
T. Rowe Price Small Cap Value	227	—
Aggressive Growth Stock	75,544	—
International Growth	113	—
Franklin Templeton International Equity	55,166	—
AllianceBernstein Mid Cap Value	6	—
Index 400 Stock	25,867	—
Janus Capital Appreciation	1	—
Growth Stock	21,886	—
Large Cap Core Stock	15,470	—
Capital Guardian Domestic Equity	106	—
T. Rowe Price Equity Income	34	—
Index 500 Stock	82,821	—
Asset Allocation	677	—
Balanced	57,690	782
High Yield Bond	5,211	—
Select Bond	10,897	—
Money Market	80	—
Fidelity VIP Mid Cap	75	—
Russell Multi-Style Equity	214	—
Russell Aggressive Equity	8	—
Russell Non-U.S.	18	—
Russell Core Bond	2	—
Russell Real Estate Securities	26,442	—
	<u>\$407,530</u>	<u>\$782</u>
		408,312

The Accompanying Notes are an Integral Part of the Financial Statements.

Account C Financial Statements

NML Variable Annuity Account C

Statement of Assets and Liabilities, continued

December 31, 2004

(in thousands)

Equity (continued)

Division	Group Variable Annuity Contract Issued:		
	After December 31, 1991 Front Load Version	After December 31, 1991 Simplified Load Version	
Small Cap Growth Stock	\$ 308	\$ 1,255	
T. Rowe Price Small Cap Value	287	752	
Aggressive Growth Stock	2,366	5,649	
International Growth	156	185	
Franklin Templeton International Equity	1,378	3,298	
AllianceBernstein Mid Cap Value	269	111	
Index 400 Stock	412	1,438	
Janus Capital Appreciation	259	161	
Growth Stock	1,064	2,608	
Large Cap Core Stock	647	1,842	
Capital Guardian Domestic Equity	391	1,179	
T. Rowe Price Equity Income	33	225	
Index 500 Stock	3,575	8,308	
Asset Allocation	66	961	
Balanced	4,219	14,349	
High Yield Bond	336	1,136	
Select Bond	1,191	4,485	
Money Market	781	3,236	
Fidelity VIP Mid Cap	31	301	
Russell Multi-Style Equity	895	702	
Russell Aggressive Equity	208	766	
Russell Non-U.S.	796	615	
Russell Core Bond	842	551	
Russell Real Estate Securities	639	1,587	
	<u>\$21,149</u>	<u>\$55,700</u>	<u>76,849</u>
Total Equity			<u>485,161</u>
Total Liabilities and Equity			<u>\$485,175</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

Account C Financial Statements

NML Variable Annuity Account C

Statements of Operations

(in thousands)

	Investment Income		
	Dividend Income	Annuity Rate and Expense Guarantees	Net Investment Income (Loss)
Year Ended December 31, 2004			
Small Cap Growth Stock Division	\$ —	\$ (20)	\$ (20)
T. Rowe Price Small Cap Value Division	2	(8)	(6)
Aggressive Growth Stock Division	—	(96)	(96)
International Growth Division	3	(2)	1
Franklin Templeton International Equity Division	895	(51)	844
AllianceBernstein Mid Cap Value Division	3	(2)	1
Index 400 Stock Division	164	(20)	144
Janus Capital Appreciation Division	—	(2)	(2)
Growth Stock Division	177	(47)	130
Large Cap Core Stock Division	164	(34)	130
Capital Guardian Domestic Equity Division	21	(14)	7
T. Rowe Price Equity Income Division	4	(3)	1
Index 500 Stock Division	1,197	(131)	1,066
Asset Allocation Division	—	(11)	(11)
Balanced Division	1,973	(237)	1,736
High Yield Bond Division	433	(17)	416
Select Bond Division	729	(75)	654
Money Market Division	70	(54)	16
Fidelity VIP Mid Cap Division	—	(4)	(4)
Russell Multi-Style Equity Division	9	(11)	(2)
Russell Aggressive Equity Division	2	(11)	(9)
Russell Non-U.S. Division	25	(11)	14
Russell Core Bond Division	25	(9)	16
Russell Real Estate Securities Division	497	(20)	477
Year Ended December 31, 2003			
Small Cap Growth Stock Division	\$ —	\$ (19)	\$ (19)
T. Rowe Price Small Cap Value Division	—	(6)	(6)
Aggressive Growth Stock Division	—	(137)	(137)
International Growth Division	1	—	1
Franklin Templeton International Equity Division	618	(48)	570
AllianceBernstein Mid Cap Value Division #	1	—	1
Index 400 Stock Division	115	(17)	98
Janus Capital Appreciation Division #	—	—	—
Growth Stock Division	179	(52)	127
Large Cap Core Stock Division	137	(51)	86
Capital Guardian Domestic Equity Division	17	(8)	9
T. Rowe Price Equity Income Division #	1	—	1
Index 500 Stock Division	1,167	(162)	1,005
Asset Allocation Division	21	(10)	11
Balanced Division	2,491	(255)	2,236
High Yield Bond Division	11	(14)	(3)
Select Bond Division	771	(98)	673
Money Market Division	128	(105)	23
Fidelity VIP Mid Cap Division #	—	(1)	(1)
Russell Multi-Style Equity Division	6	(8)	(2)
Russell Aggressive Equity Division	1	(8)	(7)
Russell Non-U.S. Division	25	(7)	18
Russell Core Bond Division	29	(7)	22
Russell Real Estate Securities Division	604	(13)	591

Division commenced operations on May 1, 2003.

The Accompanying Notes are an Integral Part of the Financial Statements.

Realized and Unrealized Gain (Loss) on Investments

Realized Gain (Loss) on Investments	Unrealized Appreciation (Depreciation) of Investments During the Period	Net Gain on Investments	Increase in Equity Derived from Investment Activity
\$ 191	\$ 4,540	\$ 4,731	\$ 4,711
58	147	205	199
(3,382)	14,017	10,635	10,539
11	38	49	50
190	8,456	8,646	9,490
24	25	49	50
613	2,971	3,584	3,728
2	55	57	55
(1,352)	2,737	1,385	1,515
(1,201)	2,370	1,169	1,299
39	174	213	220
27	6	33	34
1,102	6,996	8,098	9,164
22	124	146	135
2,123	1,742	3,865	5,601
218	96	314	730
687	(624)	63	717
—	—	—	16
55	22	77	73
19	130	149	147
51	72	123	114
(71)	259	188	202
25	(4)	21	37
2,731	3,380	6,111	6,588
\$(1,212)	\$ 6,622	\$ 5,410	\$ 5,391
1	183	184	178
(8,800)	24,998	16,198	16,061
(5)	23	18	19
(2,243)	14,872	12,629	13,199
2	22	24	25
(593)	5,365	4,772	4,870
1	15	16	16
(2,089)	5,845	3,756	3,883
(2,362)	5,487	3,125	3,211
(10)	251	241	250
1	11	12	13
(2,525)	21,648	19,123	20,128
(63)	269	206	217
(3,454)	13,665	10,211	12,447
(145)	1,433	1,288	1,285
1,033	(745)	288	961
—	—	—	23
—	49	49	48
(104)	321	217	215
(18)	290	272	265
(35)	273	238	256
19	(4)	15	37
188	2,753	2,941	3,532

Account C Financial Statements

NML Variable Annuity Account C Statements of Changes in Equity (in thousands)

	Operations			
	Net Investment Income (Loss)	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Increase in Equity Derived from Investment Activity
Year Ended December 31, 2004				
Small Cap Growth Stock Division	\$ (20)	\$ 191	\$ 4,540	\$ 4,711
T. Rowe Price Small Cap Value Division	(6)	58	147	199
Aggressive Growth Stock Division	(96)	(3,382)	14,017	10,539
International Growth Division	1	11	38	50
Franklin Templeton International Equity Division	844	190	8,456	9,490
AllianceBernstein Mid Cap Value Division	1	24	25	50
Index 400 Stock Division	144	613	2,971	3,728
Janus Capital Appreciation Division	(2)	2	55	55
Growth Stock Division	130	(1,352)	2,737	1,515
Large Cap Core Stock Division	130	(1,201)	2,370	1,299
Capital Guardian Domestic Equity Division	7	39	174	220
T. Rowe Price Equity Income Division	1	27	6	34
Index 500 Stock Division	1,066	1,102	6,996	9,164
Asset Allocation Division	(11)	22	124	135
Balanced Division	1,736	2,123	1,742	5,601
High Yield Bond Division	416	218	96	730
Select Bond Division	654	687	(624)	717
Money Market Division	16	—	—	16
Fidelity VIP Mid Cap Division	(4)	55	22	73
Russell Multi-Style Equity Division	(2)	19	130	147
Russell Aggressive Equity Division	(9)	51	72	114
Russell Non-U.S. Division	14	(71)	259	202
Russell Core Bond Division	16	25	(4)	37
Russell Real Estate Securities Division	477	2,731	3,380	6,588
Year Ended December 31, 2003				
Small Cap Growth Stock Division	\$ (19)	\$ (1,212)	\$ 6,622	\$ 5,391
T. Rowe Price Small Cap Value Division	(6)	1	183	178
Aggressive Growth Stock Division	(137)	(8,800)	24,998	16,061
International Growth Division	1	(5)	23	19
Franklin Templeton International Equity Division	570	(2,243)	14,872	13,199
AllianceBernstein Mid Cap Value Division #	1	2	22	25
Index 400 Stock Division	98	(593)	5,365	4,870
Janus Capital Appreciation Division #	—	1	15	16
Growth Stock Division	127	(2,089)	5,845	3,883
Large Cap Core Stock Division	86	(2,362)	5,487	3,211
Capital Guardian Domestic Equity Division	9	(10)	251	250
T. Rowe Price Equity Income Division #	1	1	11	13
Index 500 Stock Division	1,005	(2,525)	21,648	20,128
Asset Allocation Division	11	(63)	269	217
Balanced Division	2,236	(3,454)	13,665	12,447
High Yield Bond Division	(3)	(145)	1,433	1,285
Select Bond Division	673	1,033	(745)	961
Money Market Division	23	—	—	23
Fidelity VIP Mid Cap Division #	(1)	—	49	48
Russell Multi-Style Equity Division	(2)	(104)	321	215
Russell Aggressive Equity Division	(7)	(18)	290	265
Russell Non-U.S. Division	18	(35)	273	256
Russell Core Bond Division	22	19	(4)	37
Russell Real Estate Securities Division	591	188	2,753	3,532

Division commenced operations on May 1, 2003.

The Accompanying Notes are an Integral Part of the Financial Statements.

Equity Transactions						Equity		
Contract Owners' Net Payments	Annuity Payments	Surrenders and Other (net)	Transfers from Other Divisions or Sponsor	Transfers to Other Divisions or Sponsor	Increase (Decrease) in Equity Derived from Equity Transactions	Net Increase (Decrease) in Equity	Beginning of Period	End of Period
\$4,896	\$ —	\$ (3,971)	\$2,644	\$(2,161)	\$ 1,408	\$ 6,119	\$24,419	\$30,538
150	—	(206)	473	(176)	241	440	826	1,266
7,345	(1)	(10,090)	1,534	(4,790)	(6,002)	4,537	79,022	83,559
52	—	(49)	327	(72)	258	308	146	454
5,908	(2)	(4,987)	4,012	(2,461)	2,470	11,960	47,882	59,842
47	—	(3)	93	(30)	107	157	229	386
5,852	(2)	(3,386)	2,487	(1,360)	3,591	7,319	20,398	27,717
31	—	(4)	131	(26)	132	187	234	421
3,196	(3)	(4,333)	1,546	(1,745)	(1,339)	176	25,382	25,558
2,458	—	(2,644)	1,853	(1,766)	(99)	1,200	16,759	17,959
169	—	(190)	551	(309)	221	441	1,235	1,676
45	—	(51)	241	(121)	114	148	144	292
8,443	(4)	(10,310)	2,757	(4,669)	(3,783)	5,381	89,323	94,704
289	(14)	(66)	283	(182)	310	445	1,259	1,704
5,323	(27)	(11,022)	4,413	(5,275)	(6,588)	(987)	78,027	77,040
976	(1)	(971)	1,109	(1,366)	(253)	477	6,206	6,683
1,751	(6)	(2,819)	1,789	(3,307)	(2,592)	(1,875)	18,448	16,573
2,030	(1)	(2,948)	1,876	(3,047)	(2,090)	(2,074)	6,171	4,097
72	—	(8)	165	(272)	(43)	30	377	407
242	—	(36)	618	(247)	577	724	1,087	1,811
142	—	(216)	200	(169)	(43)	71	911	982
169	—	(303)	254	(42)	78	280	1,149	1,429
223	—	(46)	561	(275)	463	500	895	1,395
5,715	(2)	(2,940)	6,627	(2,353)	7,047	13,635	15,033	28,668
\$4,693	\$ —	\$ (3,732)	\$2,378	\$(1,197)	\$ 2,142	\$ 7,533	\$16,886	\$24,419
71	—	(61)	216	(32)	194	372	454	826
7,787	—	(13,766)	1,935	(4,649)	(8,693)	7,368	71,654	79,022
59	—	(8)	52	(35)	68	87	59	146
4,343	(1)	(5,044)	2,551	(2,174)	(325)	12,874	35,008	47,882
13	—	(1)	194	(2)	204	229	—	229
3,862	(1)	(3,229)	1,896	(1,521)	1,007	5,877	14,521	20,398
32	—	—	186	—	218	234	—	234
3,259	(3)	(3,681)	1,689	(2,026)	(762)	3,121	22,261	25,382
2,454	—	(3,531)	1,858	(1,104)	(323)	2,888	13,871	16,759
95	—	(51)	414	(57)	401	651	584	1,235
1	—	—	130	—	131	144	—	144
8,607	(3)	(15,633)	2,343	(3,957)	(8,643)	11,485	77,838	89,323
74	(13)	(23)	177	(663)	(448)	(231)	1,490	1,259
6,524	(26)	(19,636)	4,412	(7,918)	(16,644)	(4,197)	82,224	78,027
1,706	(1)	(842)	2,347	(2,183)	1,027	2,312	3,894	6,206
2,727	(7)	(4,255)	3,183	(3,722)	(2,074)	(1,113)	19,561	18,448
3,819	(1)	(11,210)	5,882	(3,315)	(4,825)	(4,802)	10,973	6,171
9	—	(1)	324	(3)	329	377	—	377
194	—	(128)	183	(128)	121	336	751	1,087
132	—	(52)	111	(72)	119	384	527	911
95	—	(34)	329	(24)	366	622	527	1,149
163	—	(126)	271	(253)	55	92	803	895
2,570	(2)	(2,220)	2,905	(1,318)	1,935	5,467	9,566	15,033

Financial Highlights

NML Variable Annuity Account C (For a unit outstanding during the period)

Division	Unit Value, as of Period End(3) Lowest to Highest	Dividend Income as a % of Average Net Assets(4)	Expense Ratio, Lowest to Highest	Total Return(5), Lowest to Highest
Small Cap Growth Stock				
Year Ended 12/31/04	\$2.295965 to \$24.646196	0.00%	0.00% to 1.25%	17.32% to 18.80%
Year Ended 12/31/03	\$1.956937 to \$20.745671	0.00%	0.00% to 1.25%	31.41% to 33.06%
Year Ended 12/31/02	\$1.489185 to \$15.591407	0.16%	0.00% to 1.25%	(19.44%) to (18.42%)
Year Ended 12/31/01	\$1.848493 to \$19.112629	0.01%	0.00% to 1.25%	(4.97%) to (3.76%)
T. Rowe Price Small Cap Value (1)				
Year Ended 12/31/04	\$1.549988 to \$16.175980	0.21%	0.00% to 1.25%	23.02% to 24.57%
Year Ended 12/31/03	\$1.259912 to \$12.985287	0.00%	0.00% to 1.25%	33.48% to 35.15%
Year Ended 12/31/02	\$0.943905 to \$ 9.607906	0.49%	0.00% to 1.25%	(6.75%) to (5.58%)
Period Ended 12/31/01	\$1.012260 to \$10.175772	0.38%	0.00% to 1.25%	1.23% to 1.76%
Aggressive Growth Stock				
Year Ended 12/31/04	\$3.318231 to \$54.747494	0.00%	0.00% to 1.25%	12.80% to 14.22%
Year Ended 12/31/03	\$2.924175 to \$47.932675	0.00%	0.00% to 1.25%	23.15% to 24.69%
Year Ended 12/31/02	\$2.360410 to \$38.441232	0.10%	0.00% to 1.25%	(22.13%) to (21.15%)
Year Ended 12/31/01	\$3.013165 to \$48.753408	0.11%	0.00% to 1.25%	(20.88%) to (19.87%)
International Growth Stock (1)				
Year Ended 12/31/04	\$1.286123 to \$13.422496	1.15%	0.00% to 1.25%	20.08% to 21.59%
Year Ended 12/31/03	\$1.071062 to \$11.039080	1.79%	0.00% to 1.25%	37.27% to 38.99%
Year Ended 12/31/02	\$0.780276 to \$ 7.942434	0.27%	0.00% to 1.25%	(13.42%) to (12.34%)
Period Ended 12/31/01	\$0.901258 to \$ 9.060000	0.00%	0.00% to 1.25%	(9.87%) to (9.40%)
Franklin Templeton International Equity				
Year Ended 12/31/04	\$2.549602 to \$ 2.949634	1.70%	0.00% to 1.25%	17.85% to 19.33%
Year Ended 12/31/03	\$2.163493 to \$ 2.471833	1.64%	0.00% to 1.25%	38.72% to 40.46%
Year Ended 12/31/02	\$1.559571 to \$ 1.759773	2.11%	0.00% to 1.25%	(18.43%) to (17.40%)
Year Ended 12/31/01	\$1.911919 to \$ 2.130553	1.81%	0.00% to 1.25%	(15.07%) to (14.00%)
AllianceBernstein Mid Cap Value (2)				
Year Ended 12/31/04	\$1.547558 to \$15.801473	1.03%	0.00% to 1.25%	17.19% to 18.67%
Period Ended 12/31/03	\$1.320512 to \$13.315544	1.22%	0.00% to 1.25%	32.05% to 33.16%
Index 400 Stock				
Year Ended 12/31/04	\$1.641894 to \$17.624859	0.66%	0.00% to 1.25%	14.82% to 16.26%
Year Ended 12/31/03	\$1.429987 to \$15.159273	0.71%	0.00% to 1.25%	33.34% to 35.01%
Year Ended 12/31/02	\$1.072428 to \$11.227976	0.84%	0.00% to 1.25%	(15.60%) to (14.54%)
Year Ended 12/31/01	\$1.270690 to \$13.138452	0.01%	0.00% to 1.25%	(1.90%) to (0.65%)
Janus Capital Appreciation (2)				
Year Ended 12/31/04	\$1.405312 to \$14.349081	0.14%	0.00% to 1.25%	18.19% to 19.67%
Period Ended 12/31/03	\$1.189063 to \$11.990097	0.13%	0.00% to 1.25%	18.91% to 19.90%
Growth Stock				
Year Ended 12/31/04	\$2.378175 to \$27.170823	0.70%	0.00% to 1.25%	5.34% to 6.67%
Year Ended 12/31/03	\$2.257547 to \$25.471804	0.80%	0.00% to 1.25%	17.47% to 18.94%
Year Ended 12/31/02	\$1.921805 to \$21.414901	1.20%	0.00% to 1.25%	(21.81%) to (20.83%)
Year Ended 12/31/01	\$2.458020 to \$27.049526	0.79%	0.00% to 1.25%	(15.29%) to (14.22%)
Large Cap Core Stock				
Year Ended 12/31/04	\$1.963264 to \$22.430441	0.95%	0.00% to 1.25%	6.82% to 8.16%
Year Ended 12/31/03	\$1.837972 to \$20.737771	0.92%	0.00% to 1.25%	22.51% to 24.05%
Year Ended 12/31/02	\$1.500218 to \$16.717038	0.97%	0.00% to 1.25%	(29.09%) to (28.20%)
Year Ended 12/31/01	\$2.115675 to \$23.281928	0.79%	0.00% to 1.25%	(8.92%) to (7.77%)
Capital Guardian Domestic Equity (1)				
Year Ended 12/31/04	\$1.159280 to \$12.099054	1.48%	0.00% to 1.25%	15.40% to 16.85%
Year Ended 12/31/03	\$1.004585 to \$10.354264	1.96%	0.00% to 1.25%	32.74% to 34.41%
Year Ended 12/31/02	\$0.756787 to \$ 7.703469	2.12%	0.00% to 1.25%	(22.22%) to (21.24%)
Period Ended 12/31/01	\$0.973004 to \$ 9.781208	0.71%	0.00% to 1.25%	(2.70%) to (2.19%)
T. Rowe Price Equity Income (2)				
Year Ended 12/31/04	\$1.394433 to \$14.237970	1.39%	0.00% to 1.25%	13.73% to 15.16%
Period Ended 12/31/03	\$1.226098 to \$12.363579	3.03%	0.00% to 1.25%	22.61% to 23.64%
Index 500 Stock				
Year Ended 12/31/04	\$3.396371 to \$50.112283	1.32%	0.00% to 1.25%	9.32% to 10.70%
Year Ended 12/31/03	\$3.088134 to \$45.268617	1.46%	0.00% to 1.25%	26.84% to 28.43%
Year Ended 12/31/02	\$2.420098 to \$35.246385	1.44%	0.00% to 1.25%	(23.04%) to (22.07%)
Year Ended 12/31/01	\$3.125796 to \$45.228886	1.31%	0.00% to 1.25%	(12.98%) to (11.88%)

(1) Division commenced operations on July 31, 2001.

(2) Division commenced operations on May 1, 2003.

(3) Year ended 12/31/03 unit value ranges revised from previous annual report.

(4) Year ended 12/31/01 revised from previous reports.

(5) Total Return includes deductions for management and other expenses; excludes deductions for sales loads and other charges. Returns are not annualized for periods less than one year.

The Accompanying Notes are an Integral Part of the Financial Statements

Financial Highlights

NML Variable Annuity Account C (For a unit outstanding during the period)

Division	Unit Value, as of Period End(3) Lowest to Highest	Dividend Income as a % of Average Net Assets(4)	Expense Ratio, Lowest to Highest	Total Return(5), Lowest to Highest
Asset Allocation (1)				
Year Ended 12/31/04	\$1.117219 to \$ 11.659896	0.00%	0.00% to 1.25%	8.65% to 10.02%
Year Ended 12/31/03	\$1.028260 to \$ 10.598020	1.72%	0.00% to 1.25%	19.13% to 20.63%
Year Ended 12/31/02	\$0.863125 to \$ 8.785751	2.61%	0.00% to 1.25%	(11.37%) to (10.26%)
Period Ended 12/31/01	\$0.973862 to \$ 9.789803	0.72%	0.00% to 1.25%	(2.61%) to (2.10%)
Balanced				
Year Ended 12/31/04	\$2.776467 to \$107.555819	2.55%	0.00% to 1.25%	6.55% to 7.89%
Year Ended 12/31/03	\$2.590151 to \$ 99.686821	3.21%	0.00% to 1.25%	16.53% to 17.99%
Year Ended 12/31/02	\$2.209502 to \$ 84.486469	4.05%	0.00% to 1.25%	(8.68%) to (7.54%)
Year Ended 12/31/01	\$2.405185 to \$ 91.372736	4.21%	0.00% to 1.25%	(4.36%) to (3.15%)
High Yield Bond				
Year Ended 12/31/04	\$2.021608 to \$ 23.096633	6.94%	0.00% to 1.25%	11.36% to 12.76%
Year Ended 12/31/03	\$1.815388 to \$ 20.482734	0.21%	0.00% to 1.25%	27.46% to 29.06%
Year Ended 12/31/02	\$1.424293 to \$ 15.870922	10.23%	0.00% to 1.25%	(4.10%) to (2.89%)
Year Ended 12/31/01	\$1.485164 to \$ 16.343831	10.11%	0.00% to 1.25%	3.72% to 5.03%
Select Bond				
Year Ended 12/31/04	\$2.273220 to \$134.012491	4.24%	0.00% to 1.25%	3.44% to 4.75%
Year Ended 12/31/03	\$2.184385 to \$127.939507	3.86%	0.00% to 1.25%	4.18% to 5.49%
Year Ended 12/31/02	\$2.084184 to \$121.279762	4.77%	0.00% to 1.25%	10.70% to 12.09%
Year Ended 12/31/01	\$1.871532 to \$108.200259	5.60%	0.00% to 1.25%	8.99% to 10.37%
Money Market				
Year Ended 12/31/04	\$1.524874 to \$ 35.049174	1.42%	0.00% to 1.25%	0.17% to 1.43%
Year Ended 12/31/03	\$1.513153 to \$ 34.553668	1.29%	0.00% to 1.25%	(0.02%) to 1.23%
Year Ended 12/31/02	\$1.504462 to \$ 34.132616	1.66%	0.00% to 1.25%	0.39% to 1.65%
Year Ended 12/31/01	\$1.489628 to \$ 33.577318	7.64%	0.00% to 1.25%	2.62% to 3.92%
Fidelity VIP Mid Cap (2)				
Year Ended 12/31/04	\$1.717354 to \$ 17.535222	0.00%	0.00% to 1.25%	23.11% to 24.66%
Period Ended 12/31/03	\$1.395022 to \$ 14.066904	0.00%	0.00% to 1.25%	39.50% to 40.67%
Russell Multi-Style Equity				
Year Ended 12/31/04	\$0.820050 to \$ 8.802993	0.67%	0.00% to 1.25%	8.44% to 9.81%
Year Ended 12/31/03	\$0.756197 to \$ 8.016570	0.70%	0.00% to 1.25%	27.26% to 28.86%
Year Ended 12/31/02	\$0.594202 to \$ 6.221208	0.62%	0.00% to 1.25%	(24.14%) to (23.19%)
Year Ended 12/31/01	\$0.783335 to \$ 8.099453	0.46%	0.00% to 1.25%	(15.28%) to (14.21%)
Russell Aggressive Equity				
Year Ended 12/31/04	\$1.355022 to \$ 14.545498	0.17%	0.00% to 1.25%	13.30% to 14.73%
Year Ended 12/31/03	\$1.195908 to \$ 12.677885	0.11%	0.00% to 1.25%	43.79% to 45.60%
Year Ended 12/31/02	\$0.831686 to \$ 8.707578	0.00%	0.00% to 1.25%	(20.06%) to (19.06%)
Year Ended 12/31/01	\$1.040412 to \$ 10.757522	0.11%	0.00% to 1.25%	(3.58%) to (2.36%)
Russell Non-U.S.				
Year Ended 12/31/04	\$1.085315 to \$ 11.650240	2.09%	0.00% to 1.25%	16.83% to 18.30%
Year Ended 12/31/03	\$0.928976 to \$ 9.848016	3.46%	0.00% to 1.25%	37.07% to 38.79%
Year Ended 12/31/02	\$0.677755 to \$ 7.095865	1.62%	0.00% to 1.25%	(16.20%) to (15.15%)
Year Ended 12/31/01	\$0.808779 to \$ 8.362558	0.59%	0.00% to 1.25%	(23.00%) to (22.03%)
Russell Core Bond				
Year Ended 12/31/04	\$1.319453 to \$ 14.163304	2.45%	0.00% to 1.25%	3.36% to 4.66%
Year Ended 12/31/03	\$1.276523 to \$ 13.532112	3.52%	0.00% to 1.25%	4.83% to 6.15%
Year Ended 12/31/02	\$1.217720 to \$ 12.748590	2.91%	0.00% to 1.25%	7.49% to 8.84%
Year Ended 12/31/01	\$1.132872 to \$ 11.713217	6.24%	0.00% to 1.25%	6.07% to 7.41%
Russell Real Estate Securities				
Year Ended 12/31/04	\$2.277262 to \$ 24.444468	2.32%	0.00% to 1.25%	33.20% to 34.87%
Year Ended 12/31/03	\$1.709672 to \$ 18.123797	5.38%	0.00% to 1.25%	35.51% to 37.21%
Year Ended 12/31/02	\$1.261665 to \$ 13.208871	5.22%	0.00% to 1.25%	2.51% to 3.80%
Year Ended 12/31/01	\$1.230726 to \$ 12.725061	5.28%	0.00% to 1.25%	6.49% to 7.84%

(1) Division commenced operations on July 31, 2001.

(2) Division commenced operations on May 1, 2003.

(3) Year ended 12/31/03 unit value ranges revised from previous annual report.

(4) Year ended 12/31/01 revised from previous reports.

(5) Total Return includes deductions for management and other expenses; excludes deductions for sales loads and other charges. Returns are not annualized for periods less than one year.

The Accompanying Notes are an Integral Part of the Financial Statements

Notes to Financial Statements

NML Variable Annuity Account C

December 31, 2004

Note 1 — NML Variable Annuity Account C (the "Account") is a segregated asset account of The Northwestern Mutual Life Insurance Company ("Northwestern Mutual") used to fund variable annuity contracts ("contracts") for HR-10 and corporate pension and profit-sharing plans which qualify for special tax treatment under the Internal Revenue Code. Currently, two versions of the contract are offered: Front Load contracts with a sales charge up to 4.5% of purchase payments and Simplified Load contracts with an installation fee of \$750.

Note 2 — The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Principal accounting policies are summarized below.

Note 3 — All assets of each Division of the Account are invested in shares of the corresponding Portfolio of Northwestern Mutual Series Fund, Inc., Fidelity Variable Insurance Products Fund III and the Russell Investment Funds (collectively known as "the Funds"). The shares are valued at the Funds' offering and redemption prices per share. The Funds are open-end investment companies registered under the Investment Company Act of 1940.

Note 4 — Annuity reserves are based on published annuity tables with age adjustment and benefit payments which reflect actual investment experience. Annuity reserves are based on the 1983 Annuity Table a, adjusted with assumed interest rates of 3.5% or 5%.

Note 5 — Dividend income and distributions of net realized gains from the Funds are recorded on the ex-date of the dividends. Transactions in Funds' shares are accounted for on the trade date. The basis for determining cost on sale of the Funds' shares is identified cost. Purchases and sales of the Funds' shares for the year ended December 31, 2004 by each Division are shown as follows: (in thousands)

<u>Division</u>	<u>Purchases</u>	<u>Sales</u>
Small Cap Growth Stock	\$ 5,795	\$ 4,409
T. Rowe Price Small Cap Value	457	211
Aggressive Growth Stock	8,317	14,411
International Growth	309	50
Franklin Templeton International Equity	9,122	5,800
AllianceBernstein Mid Cap Value	137	7
Index 400 Stock	7,872	3,982
Janus Capital Appreciation	134	4
Growth Stock	3,954	5,164

<u>Division</u>	<u>Purchases</u>	<u>Sales</u>
Large Cap Core Stock	\$ 2,904	\$ 2,870
Capital Guardian Domestic Equity	441	190
T. Rowe Price Equity Income	175	53
Index 500 Stock	11,524	13,264
Asset Allocation	381	82
Balanced	10,568	12,636
High Yield Bond	1,509	1,345
Select Bond	3,196	4,631
Money Market	2,453	4,527
Fidelity VIP Mid Cap	77	123
Russell Multi-Style Equity	612	35
Russell Aggressive Equity	197	217
Russell Non-U.S.	394	303
Russell Core Bond	549	47
Russell Real Estate Securities	13,103	4,108

Note 6 — A deduction for annuity rate and expense guarantees is determined daily and paid to Northwestern Mutual as compensation for assuming the risk that annuity payments will continue for longer periods than anticipated because the annuitants as a group live longer than expected, and the risk that the charges made by Northwestern Mutual may be insufficient to cover the actual costs incurred in connection with the contracts.

For contracts issued before December 17, 1981 or between April 30, 1984 and December 31, 1991, there is no deduction for annuity rate and expense guarantees.

For contracts issued after December 16, 1981, and prior to May 1, 1984, the deduction is determined daily at an annual rate of 0.5% of the net assets of each Division attributable to these contracts and is paid to Northwestern Mutual. For these contracts, the rate may be increased or decreased by the Board of Trustees of Northwestern Mutual not to exceed a 0.75% annual rate.

Generally, for contracts issued after December 31, 1991, for the Front Load version and the Simplified Load version, the deduction for annuity rate and expense guarantees is determined daily at annual rates of 0.65% and 1.25%, respectively, of the net assets of each Division attributable to these contracts and is paid to Northwestern Mutual. For these contracts, the rates may be increased or decreased by the Board of Trustees of Northwestern Mutual not to exceed 1% and 1.5% annual rates, respectively.

Since 1996, Northwestern Mutual has paid a dividend to certain contracts. The dividend is re-invested in the Account and has been reflected as a Contract Owners' Net Payment in the accompanying financial statements.

Note 7 — Northwestern Mutual is taxed as a "life insurance company" under the Internal Revenue Code and the operations of the Account form a part of and are taxed with those of Northwestern Mutual. Under current law, no federal income taxes are payable with respect to the Account.

Notes to Financial Statements

Accordingly, no provision for any such liability has been made.

Note 8 — The changes in units outstanding for the years ended December 31, 2004 and December 31, 2003 by each Division are shown as follows:

(in thousands)

Year Ended December 31, 2004	Units Issued	Units Redeemed	Net Increase (Decrease)
Small Cap Growth Stock Division	606	861	(255)
T. Rowe Price Small Cap Value Division	337	245	92
Aggressive Growth Stock Division	504	1,222	(718)
International Growth Division	243	92	151
Franklin Templeton International Equity Division	4,380	3,498	882
AllianceBernstein Mid Cap Value Division	99	26	73
Index 400 Stock Division	1,004	863	141
Janus Capital Appreciation Division	125	24	101
Growth Stock Division	623	1,203	(580)
Large Cap Core Stock Division	656	1,264	(608)
Capital Guardian Domestic Equity Division	609	363	246
T. Rowe Price Equity Income Division	215	145	70
Index 500 Stock Division	931	1,534	(603)
Asset Allocation Division	361	180	181
Balanced Division	891	1,484	(593)
High Yield Bond Division	282	375	(93)
Select Bond Division	307	476	(169)
Money Market Division	1,583	2,427	(844)
Fidelity VIP Mid Cap Division	116	187	(71)
Russell Multi-Style Equity Division	923	172	751
Russell Aggressive Equity Division	265	301	(36)
Russell Non-U.S. Division	426	346	80
Russell Core Bond Division	590	235	355
Russell Real Estate Securities Division	1,069	654	415
Year Ended December 31, 2003	Units Issued	Units Redeemed	Net Increase (Decrease)
Small Cap Growth Stock Division	572	406	166
T. Rowe Price Small Cap Value Division	216	58	158
Aggressive Growth Stock Division	699	2,136	(1,437)
International Growth Division	74	13	61
Franklin Templeton International Equity Division	2,522	3,078	(556)
AllianceBernstein Mid Cap Value Division #	172	—	172
Index 400 Stock Division	552	603	(51)
Janus Capital Appreciation Division #	196	—	196
Growth Stock Division	500	816	(316)
Large Cap Core Stock Division	607	1,657	(1,050)
Capital Guardian Domestic Equity Division	466	48	418
T. Rowe Price Equity Income Division #	117	—	117
Index 500 Stock Division	958	2,729	(1,771)
Asset Allocation Division	38	624	(586)
Balanced Division	738	2,311	(1,573)
High Yield Bond Division	273	168	105
Select Bond Division	217	389	(172)
Money Market Division	1,869	4,171	(2,302)
Fidelity VIP Mid Cap Division #	269	—	269
Russell Multi-Style Equity Division	248	240	8
Russell Aggressive Equity Division	179	52	127
Russell Non-U.S. Division	498	49	449
Russell Core Bond Division	130	103	27
Russell Real Estate Securities Division	535	399	136

The initial investment in this Division was made on May 1, 2003.

Notes to Financial Statements

Note 9 — Equity Values by Division are shown as follows:

Division	Group Variable Annuity Contract Issued:					
	Before December 17, 1981 or between April 30, 1984 and December 31, 1991			After December 16, 1981 and Prior to May 1, 1984		
	Accumulation Unit Value	Units Outstanding	Equity	Accumulation Unit Value	Units Outstanding	Equity
Small Cap Growth Stock	\$ 24,646,196	1,175,633	\$ 28,974,881	\$ 23,956,264	—	\$ —
T. Rowe Price Small Cap Value	16,175,980	14,044	227,175	15,901,602	—	—
Aggressive Growth Stock	54,747,494	1,379,736	75,537,088	51,060,593	—	—
International Growth	13,422,496	8,451	113,434	13,194,729	—	—
Franklin Templeton International Equity	2,949,634	18,695,952	55,146,216	2,782,359	—	—
AllianceBernstein Mid Cap Value	15,801,473	370	5,847	15,670,114	—	—
Index 400 Stock	17,624,859	1,466,700	25,850,381	17,131,512	—	—
Janus Capital Appreciation	14,349,081	99	1,421	14,229,799	—	—
Growth Stock	27,170,823	804,408	21,856,427	25,758,905	—	—
Large Cap Core Stock	22,430,441	689,706	15,470,410	21,264,720	—	—
Capital Guardian Domestic Equity	12,099,054	8,735	105,685	11,893,730	—	—
T. Rowe Price Equity Income	14,237,970	2,390	34,029	14,119,597	—	—
Index 500 Stock	50,112,283	1,651,992	82,785,091	46,733,245	—	—
Asset Allocation	11,659,896	42,757	498,542	11,462,082	—	—
Balanced	107,555,819	533,645	57,396,625	95,895,281	8,155	782,026
High Yield Bond	23,096,633	224,928	5,195,079	21,896,587	—	—
Select Bond	134,012,491	80,822	10,831,158	119,425,260	—	—
Money Market	35,049,174	2,132	74,725	31,286,399	—	—
Fidelity VIP Mid Cap	17,535,222	4,283	75,103	17,389,476	—	—
Russell Multi-Style Equity	8,802,993	24,338	214,247	8,556,544	—	—
Russell Aggressive Equity	14,545,498	557	8,102	14,138,303	—	—
Russell Non-U.S.	11,650,240	1,535	17,883	11,324,119	—	—
Russell Core Bond	14,163,304	174	2,464	13,766,970	—	—
Russell Real Estate Securities	24,444,468	1,080,457	26,411,197	23,760,619	—	—
Equity			406,833,210			782,026
Annuity Reserves			696,847			—
Total Equity			\$407,530,057			\$782,026

Division	Group Combination Annuity Contract Issued:					
	After December 31, 1991 Front Load Version			After December 31, 1991 Simplified Load Version		
	Accumulation Unit Value	Units Outstanding	Equity	Accumulation Unit Value	Units Outstanding	Equity
Small Cap Growth Stock	\$2,375,356	129,562	\$ 307,756	\$2,295,965	546,475	\$ 1,254,687
T. Rowe Price Small Cap Value	1,582,043	181,718	287,486	1,549,988	485,404	752,370
Aggressive Growth Stock	3,318,231	713,073	2,366,141	4,871,253	1,159,746	5,649,416
International Growth	1,312,727	119,051	156,281	1,286,123	143,987	185,185
Franklin Templeton International Equity	2,734,209	503,609	1,376,972	2,549,602	1,293,726	3,298,486
AllianceBernstein Mid Cap Value	1,563,095	172,144	269,077	1,547,558	71,832	111,164
Index 400 Stock	1,698,670	242,833	412,493	1,641,894	875,773	1,437,926
Janus Capital Appreciation	1,419,420	182,409	258,915	1,405,312	114,911	161,486
Growth Stock	2,535,103	419,729	1,064,056	2,378,175	1,096,533	2,607,747
Large Cap Core Stock	2,092,800	309,072	646,826	1,963,264	938,261	1,842,054
Capital Guardian Domestic Equity	1,183,300	330,668	391,279	1,159,280	1,017,404	1,179,456
T. Rowe Price Equity Income	1,408,447	23,101	32,537	1,394,433	161,142	224,702
Index 500 Stock	3,396,371	1,052,555	3,574,867	4,116,350	2,018,372	8,308,326
Asset Allocation	1,140,330	57,490	65,558	1,117,219	859,771	960,552
Balanced	2,776,467	1,519,731	4,219,483	7,989,947	1,795,832	14,348,603
High Yield Bond	2,155,028	156,076	336,348	2,021,608	561,947	1,136,037
Select Bond	2,273,220	523,858	1,190,844	9,901,557	452,984	4,485,247
Money Market	1,524,874	511,877	780,548	2,738,952	1,181,420	3,235,853
Fidelity VIP Mid Cap	1,734,607	18,068	31,341	1,717,354	175,435	301,284
Russell Multi-Style Equity	0,848,412	1,055,284	895,316	0,820,050	856,496	702,370
Russell Aggressive Equity	1,401,874	148,157	207,697	1,355,022	565,148	765,788
Russell Non-U.S.	1,122,807	708,720	795,756	1,085,315	566,259	614,569
Russell Core Bond	1,365,029	616,569	841,635	1,319,453	417,466	550,827
Russell Real Estate Securities	2,355,972	271,346	639,284	2,277,262	696,471	1,586,047
Equity			21,148,496			55,700,182
Annuity Reserves			—			—
Total Equity			\$21,148,496			\$55,700,182

Report of Independent Registered Public Accounting Firm



To The Northwestern Mutual Life Insurance Company and
Contract Owners of NML Variable Annuity Account C

In our opinion, the accompanying statement of assets and liabilities, the related statements of operations, and of changes in equity and the financial highlights present fairly, in all material respects, the financial position of the NML Variable Annuity Account C and its Small Cap Growth Stock Division, T. Rowe Price Small Cap Value Division, Aggressive Growth Stock Division, International Growth Division, Franklin Templeton International Equity Division, AllianceBernstein Mid Cap Value Division, Index 400 Stock Division, Janus Capital Appreciation Division, Growth Stock Division, Large Cap Core Stock Division, Capital Guardian Domestic Equity Division, T. Rowe Price Equity Income Division, Index 500 Stock Division, Asset Allocation Division, Balanced Division, High Yield Bond Division, Select Bond Division, Money Market Division, Fidelity VIP Mid Cap Division, Russell Multi-Style Equity Division, Russell Aggressive Equity Division, Russell Non-U.S. Division, Russell Core Bond Division, and Russell Real Estate Securities Division at December 31, 2004, and the results of each of their operations, the changes in each of their equity and their financial highlights for the periods presented, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of The Northwestern Mutual Life Insurance Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included direct confirmation of securities owned at December 31, 2004 with Northwestern Mutual Series Fund, Inc., Fidelity VIP Mid Cap Portfolio and the Russell Investment Funds, provide a reasonable basis for our opinion.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers" followed by a stylized monogram.

Milwaukee, Wisconsin
February 3, 2005

This report is submitted for the general information of owners of NML Group Combination Annuity Account C contracts. This report is not authorized for distribution to prospective purchasers of variable annuity contracts (a) to fund HR-10 plans unless accompanied by an effective prospectus; or (b) to fund qualified corporate pension or profit sharing plans unless accompanied by an offering circular. Northwestern Mutual variable annuity contracts are sold through individuals who, in addition to being licensed life insurance agents of Northwestern Mutual, are Registered Representatives of Northwestern Mutual Investment Services, LLC, a wholly-owned subsidiary of Northwestern Mutual, a registered broker-dealer under the Securities Exchange Act of 1934 and a member of the National Association of Securities Dealers, Inc.

Issuer: The Northwestern Mutual Life Insurance Company (Northwestern Mutual), 720 E. Wisconsin Avenue, Milwaukee, WI 53202-4797

Principal Underwriter: **Northwestern Mutual Investment Services, LLC** (NMIS), Suite 300, 611 E. Wisconsin Avenue, Milwaukee, WI 53202, 1-866-664-7737, member NASD and SIPC.

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